



Date: June 25, 2024

Honorable Mayor and Council Members:

Author and title: Adam Petersen, Senior Planner

Title: **High Altitude Fitness (HAF) Parcel Housing Concepts**

Jen Callaway, Town Manager

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**Recommended Action:** The purpose of this discussion topic is to reaffirm the preferred Land Use Plan Alternative for the High Altitude (HAF) parcel, the ownership approach (rental vs. for-sale), land valuation that optimizes and leverages a housing project, and to request direction for staff to proceed with a Request for Information (RFI) from qualified firms to provide direction with respect to financing, design, and construction of the land use plan alternative for the HAF parcel housing project.

### **Discussion:**

#### **Introduction**

The Town Council evaluated land use plan alternatives, land valuations, and ownership options of the HAF parcel at a meeting on August 8, 2023. The Town did not proceed with entitlement and development efforts following the Town Council's direction in 2023 because of staffing constraints. However, staff did proceed to notice the land for surplus, per California state law. Notice of interest for the surplus land closed in March 2024 with no interested parties identified. With this process concluded and with additional staff capacity, staff is positioned to pursue the HAF parcel development project. Accordingly, staff is returning with the item to request Council's concurrence related to the land use plan, ownership, land valuation, and recommended next steps to proceed with entitlement and development.

#### **Background**

A strategic focus of the Town Council two-year work plan is to actively support the development of workforce housing. Work plan Task 4.1 calls for housing development at the parcel deeded to the Town by the HAF project (APN 018-580-052 on Edmunds Drive). The work plan encourages collaboration with regional partners to engage a developer to create for-sale, deed-restricted housing on this Town-owned HAF land. The task also includes research, supplemental due diligence, and financial feasibility work that expands upon the Town's prior SB2 site analysis from 2021.

The Town Council received a report from staff in August 2023 with proposed housing concept alternatives, land valuation approach, ownership options for the HAF parcel, and a request for direction to proceed with entitlements. The following summarizes the key items staff presented to the Council:

- Housing Concept Alternatives:
  - o Alternative 1 – 10 units, one-bedroom units
  - o Alternative 2 – 15 units, five (5) one-bedroom units, 10 two-bedroom units
  - o Alternative 3 – 10 units, one-bedroom units
- Ownership Information:

- A for-sale project generated higher profit than a rental project
- Land Valuation to Optimize and Leverage Housing Development
  - Land Contribution with affordable and/or workforce housing deed restriction
- Entitlements
  - Staff to return at later date with complete proposal addressing all aspects of process including coordination with a development team

The Council requested information with respect to the key topics, and staff's response is provided as follows:

- Housing Concept Alternatives: key considerations in the land use planning concepts
  - Mountain Housing Council identified a lack of one- and two-bedroom units
  - Staff considered construction costs with respect to square footage of units and selected floor plan precedents that would increase the likelihood of a financially feasible project
  - Units provided with one garage parking space and external onsite resident and guest parking
  - Common spaces facilitate landscaping and amenities for units.
- Ownership Options and Affordability Considerations: Pros and cons associated with each option and affordable rental amounts for units
  - For-sale projects have a higher barrier to entry while rentals have lower barrier to entry. However, for-sale projects result in a one-time profit for the Town.
  - Rental projects have high demand, ongoing revenue, but also ongoing operating costs and may be more optimal for workforce housing.
  - 75% of Area Median Income (AMI) rental rate for on one-bedroom is approximately \$1,668/month in 2023
- Land Contribution: Efforts to ensure project is realized
  - Entitlements attract developers/buildings because it reduces uncertainty and entitlement costs
  - Donate land as part of project to developer/builder with deed restriction for affordable and/or workforce housing
  - Subsidize construction costs
- Entitlements: Internal versus external staff and rezoning needs
  - Staff is considering internal versus external consultants for the entitlement process. Regardless, the entitlements would be overseen by Town staff.
  - Internally driven entitlement process would not include architectural design; this approach provides flexibility to a developer/builder to select a design that can ultimately be realized.
  - Staff clarified that the highest intensity land use alternative would likely not require rezoning given density bonus provisions, unit equivalency factors, and density permitted under existing land use provisions.

The Council deliberated on the key topic areas, articulating a desire to meet housing demand in a way that is not speculative with respect to demand and pricing. The Council deliberation resulted in the following direction to staff:

- Target housing AMI range of 60% to 125%.
- Preference for Alternative 2, with the two-bedroom units because that alternative increased options for low-income workers with families.
- Initial desire to proceed with a rental ownership structure but requested additional analysis on options and the depth of subsidies needed to realize a housing project on the site.

### Land Use Plan Alternative Confirmation

The Council selected Alternative 2, identified below, as the preferred land use plan for the HAF site. The land use alternatives were developed based upon a housing needs assessment consideration, the site location and context, and regulatory considerations. A detailed analysis of these considerations is contained in the August 8, 2023 staff report, included as Attachment A. Staff requests the Council's concurrence that Alternative 2 remains the preferred alternative.

Alternative 1 – Summary: 10 Dwelling Units						
	No. Dwelling Units	Sq. Ft. Per Dwelling Unit	Unit Type	Parking	Coverage	Height
Building A	5	Two-Bed: 1,000 sf/ unit	Two-Bedroom	1 garage space / dwelling unit 2 guest spaces	40% buildings 16% drive and walkways	35 ft., three- stories
Building B	5					
Total	10 Units					

Alternative 2 – Summary: 15 Dwelling Units						
	No. Dwelling Units	Sq. Ft. Per Dwelling Unit	Unit Type	Parking	Coverage	Height
Building A	3	One-Bed: 525 sf  Two-Bed: 1,000 sf	1-One Bedroom 2-Two Bedroom	1 garage space / dwelling unit 3 guest spaces	46% buildings 24% drive and walkways	35 ft., Three-stories
Building B	6		2-One Bedroom 4-Two Bedroom			
Building C	6		2-One Bedroom 4-Two Bedroom			
Total	15 Units					

<b>Alternative 3 – Summary: 10 Dwelling Units</b>						
	No. Dwelling Units	Sq. Ft. Per Dwelling Unit	Unit Type	Parking	Coverage	Height
Building A	10	Two-Bed: 1,000 sf	10-Two Bedroom	1 garage space / dwelling unit 2 guest spaces	32% buildings 21% drive and walkways	35 ft., three- stories
<b>Total</b>	<b>10 Units</b>					



### *Preliminary Financial Feasibility Analysis – Ownership Type and Land Valuation*

To move forward, staff believes additional information from outside consultants is needed to identify an ownership structure and land valuation that both benefits the Town and results in the construction of housing onsite.

Information available for the Council's analysis is the high level, rough, financial analysis prepared in 2023. In 2023, staff evaluated the implications of a for-sale project versus a rental project and found a higher net profit for the Town in a for-sale project. Adjustments to 2023 numbers for 2024 were not conducted because the numbers remain largely unchanged. While the Council leaned toward a rental project in 2023, staff requests the Council's concurrence that this preference remains. For consideration, this site could provide a unique opportunity for a lower income for sale product that does not currently exist in Town and may not be financially viable for private development projects.

The 2023 financial models weighed estimated project costs against anticipated project revenues and determined a higher net profit for the Town in a for-sale project. For the rental scenario, assumptions were made for rent and construction cost. Rental rates were based on Truckee market-rate comparables with an added premium for future cost escalation. Construction costs were expressed on a square-foot basis. Soft costs, including architecture, engineering, permitting, and financing fees, were factored as percentages of overall costs. Also crucial to the financial feasibility of a rental unit scheme was a developer's "hold" period of the property that affects capitalization rates. A for-sale project has similar timing considerations that also impact the proforma. A longer construction schedule increase costs versus shorter time frames. The same applied to unit absorption rates. Sales price per square foot was based on Truckee area comparables. Square foot construction costs were slightly higher than costs in the rental scenario, reflecting a higher level of finish. However, additional, financial analysis is needed to determine the overall financial implications from the project.

Additional financial analysis is also required to determine the magnitude of subsidy to ensure the financial viability of development on the HAF site. For example, in the for-sale and rental scenarios, the land value was assumed to be a contribution to the project. A more comprehensive financial analysis is needed by a qualified firm to determine the depth of the subsidy for a financially viable project. Similarly, additional expertise is needed to understand, plan, and construct a project.

### **Requested Direction and Summary**

Given that additional technical expertise is needed with respect to ownership structure and the magnitude and type of potential subsidies, staff requests the Council's direction to prepare and circulate a Request for Information (RFI) sent to qualified firms to conduct the financial, design, and build analysis of the HAF housing project. Staff would evaluate firms based on their skill, talent, and experience in financing, design, and construction of multi-family housing. This approach will require more time up-front to select a consultant but would result in more certainty in a project being realized on the HAF site.

Planning Division staff would serve as the project managers, overseeing the site planning and entitlements components of the project. A Town-initiated entitlement process prior to the sale or partnership with a developer would reduce costs and risk associated with the entitlement review. Entitled land would also provide more upfront certainty as to the type of housing that could be developed and enhance the value of the land as an asset to the Town. Entitlements that include a greater degree of flexibility for site planning and layout and certainty regarding overall dwelling unit count would also be a plus. Because of these benefits, staff recommends that the Council direct staff to commence the land use entitlement process and return later with a complete proposal that addresses all aspects of the process including coordination with a development team.

In summary, this report seeks to:

1. Reaffirm that the Town Council's preferred land use alternative is Alternative 2;
2. Affirm that the preferred ownership type as a rental or for sale project, while directing staff to further evaluate the financial implications of a for-sale versus rental option; and
3. Direct staff to initiate an RFI process for three firms to conduct the financial, design, and building component of the project while staff manages the entitlements.

**Priority:**

<input type="checkbox"/> Enhanced Communication	<input type="checkbox"/> Climate and Greenhouse Gas Reduction	<input checked="" type="checkbox"/> Housing
<input type="checkbox"/> Infrastructure Investment	<input type="checkbox"/> Emergency and Wildfire Preparedness	<input type="checkbox"/> Core Service

**Fiscal Impact:** This work has been funded through the Planning Division's General Fund allocation.

**Public Communication:** Standard agenda noticing.

**Attachments:** August 8, 2023 Town Council Staff Report



Date: August 8, 2023

Honorable Mayor and Council Members:

Author and title: David Tirman, Planning Intern

Title: **High Altitude Fitness (HAF) Parcel Housing Concepts**

Jen Callaway, Town Manager

**Recommended Action:** The purpose of this discussion topic is to provide the Town Council with an overview of potential housing concepts for the High Altitude Fitness (HAF) parcel and an opportunity for the Council to provide feedback and direction to Town staff on next steps. Further, staff recommends that Council direct staff to commence the land use permit entitlement process and return at a future date with a complete proposal for the entitlements.

### **Discussion:**

#### **Introduction & Background**

A strategic focus of the Town Council two-year work plan is to actively support the development of workforce housing. Work plan Task 4.1 calls for housing development at the parcel deeded to the Town by the High Altitude Fitness project (APN 018-580-052 on Edmunds Drive). The work plan encourages collaboration with regional partners to engage a developer to create for-sale, deed-restricted housing on this public agency-owned HAF land. The task also includes research, supplemental due diligence, and financial feasibility work that expands upon the Town's prior SB2 site analysis from 2021. This memo addresses Task 4.1 by exploring the feasibility of housing concepts on the HAF parcel.

The HAF parcel presents a unique opportunity to test ways to implement higher-density housing types on land traditionally considered more of a single-family home site. As the staff report concluded during the SB2 housing grant process in 2021, the HAF parcel is a prime infill housing opportunity at a location that is highly accessible to pedestrians and bicyclists alike, helping to reduce automobile dependence and related GHGs. The parcel is also close to an array of goods and services located on Truckee's main street, Donner Pass Road. This includes proximity to many small and larger size employers such as the Truckee Donner Public Utility District (TDPUD), the School District, and the Tahoe Forest Hospital District.

Key issues and questions for the Council to consider are as follows:

1. **Plan Alternatives:** Which, if any, of the conceptual site plan alternatives is preferred? Are there other alternatives the Council would like to explore?
2. **Land Value:** How should the value of the Town-owned land be optimized and leveraged to support a housing project (i.e., contribute the land, provide a low-interest loan for the land, etc.)? If the Council supports a land contribution, staff recommends that the Council include an affordable and/or workforce housing deed restriction as a requirement of any contribution.
3. **Rental or For-Sale Housing:** Is there a preference for the housing to be rental or for-sale dwelling units (DU) on the HAF parcel?



## Housing Needs Assessment

The *Truckee North Tahoe Regional Workforce Housing Needs Assessment* of 2016 provided the first comprehensive report on the housing needs for our area. The report highlighted the region's unmet housing needs, including a shortage of one- and two-bedroom dwelling units (DU). The 2021 report update indicated that over 80% of our regional housing stock was single-family residential, whereas "Missing Middle" type housing accounted for roughly 10% of the regional housing stock, with Missing Middle referring to duplexes, triplexes, fourplexes and other such housing types that fall in the middle between single-family dwellings and more significant multi-family/apartment buildings.

## Site Location & Context

The HAF parcel, located on Edmunds Drive near Meadow Park and Donner Pass Road (see FIG 1), was deeded to the Town during the approval of the High-Altitude Fitness project. The undeveloped parcel is adjacent to multi-family dwellings to the north and south, single-family residential to the east, and a forested area to the west (see FIG 2). As previously highlighted, the parcel is within short walking and bicycling distance of the commercial outlets and public services on Donner Pass Road. The parcel topography includes a gentle north-to-south slope, which provides optimal solar orientation. All major utilities serve the site from Edmunds Drive.



FIG. 1: Aerial image of HAF site location



FIG. 2:

*Panorama of HAF site viewed from Edmunds Drive towards west*



### Regulatory: Zoning & Code Considerations

The 2040 General Plan included an RM-24 zoning designation (Residential Multi-family at 24 units/acre) for the HAF parcel. This zoning designation allows the .32-acre site to accommodate up to 8 dwelling units ( $24 \text{ units/acre} \times .32 \text{ acres} = 8 \text{ DU}$ ). Affordable housing on the parcel would be eligible for a 50% housing density bonus, equating to an additional 4 DU ( $8 \text{ DU} \times 50\% = 4 \text{ DU}$ ). This results in a potential for up to 12 DU on the parcel, with increased affordability requirements.

Anticipated code constraints for the parcel would include 20 ft. setbacks from the front and rear property lines and 10 ft. setbacks on the parcel sides. Building height would be restricted to 35 ft., allowing up to 3.5 levels. Regarding parking, the Code requires a one-bedroom DU to have 1.5 parking spaces and a two-bedroom DU to have two parking spaces. In addition, there's a guest parking requirement of 25% of the total required DU parking (*i.e., if 12 spaces are needed for the DU, then an additional three spaces are required for guest parking*).

A Planned Development (PD) approach to the parcel would allow for added flexibility regarding site planning and layout. A PD could include modified building setbacks, height, and parking standards in response to unique site conditions helping to optimize the planning of the HAF site.

### Housing Precedents

The new General Plan RM-24 zoning land use designation for the parcel, allowing for higher density residential, ushers in a unique opportunity to plan for alternative housing types known as Missing Middle housing. Missing Middle is defined as a range of residential-scaled buildings with multiple units compatible in scale and form with detached single-family homes. Missing Middle housing examples include duplexes, triplexes, fourplexes, and other similar, more diverse housing types. Missing Middle housing is also typically located in walkable neighborhoods like conditions around the HAF parcel. These housing types were "Missing" because they were often illegal to build due to exclusionary zoning that favored single-family residential and "Middle" because they sat in the middle of a spectrum between detached single-family homes and mid-rise to high-rise apartment buildings (see FIG 3). In recent years, the Missing Middle definition has broadened to reference not only housing types but also individuals who earn well above area median income (AMI) yet cannot afford to purchase market-rate housing.



FIG 3: Examples of Missing Middle Housing types



## Alternatives

The analysis of the HAF parcel centers around three site plan alternatives. Planning objectives for all three options included maintaining residential form and scale, orienting living spaces towards the south to maximize natural daylight and wooded area to the west for better views and placing the drive aisle and parking in proximity to the existing surface parking of the neighboring apartment building to the north. Notably, the site plans sought to optimize density while considering neighborhood context, anticipated code constraints, and adjusted standards related to parking and setbacks.

### Alternative 1

Alternative 1 yields a total of 10 DU within 2, three-story fiveplexes, each containing 5 two-bedroom DU (see FIG 4). The ground level would include garage parking (one space/unit) and a two-bedroom DU (see FIG 5). The two upper stories would consist of 4, two-bedroom DU (2 on each level). The units would be approximately 1,000 sf each. The garage parking would also include storage space. Anticipated zoning and code parameters are outlined in FIG 6.



FIG. 4: Alternative 1 Conceptual Site Plan

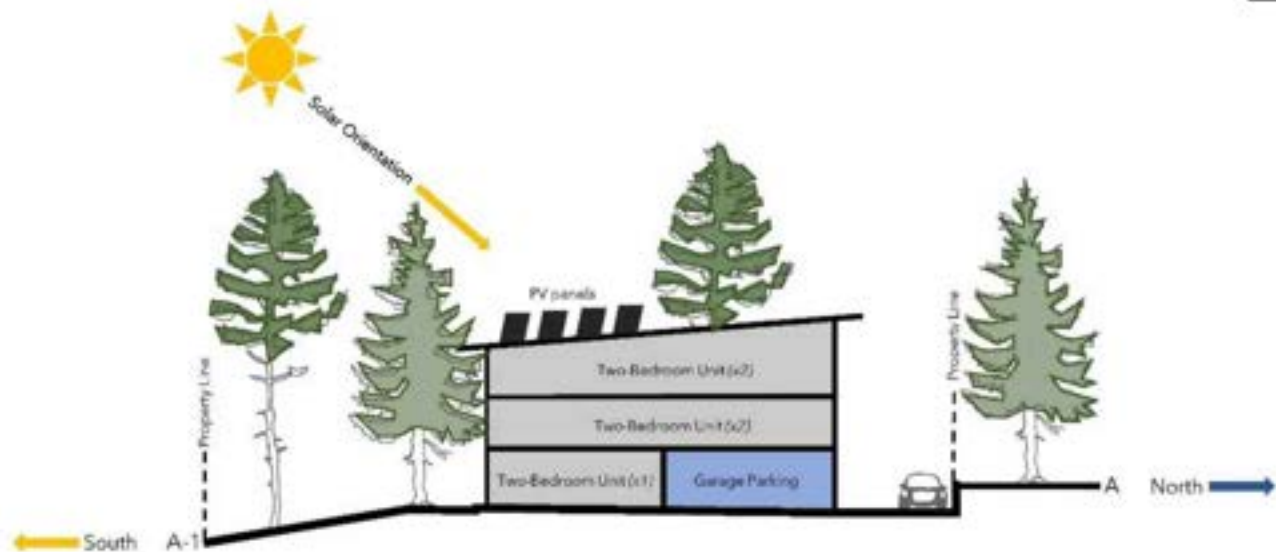


FIG. 5: Alternative 1 Conceptual Cross Section

ZONING & CODE PARAMETERS	
Residential Zoning District	RM-24
Parcel Size	.32 Acre
Allowable Density	8 Dwelling Units (DU)
Density Bonus	50%
Allowable Density w/Density Bonus	12 DU
Coverage	70% Max
Height	35 ft. Max (up to 3.5 Levels)
Setbacks	20 ft. Front & Back / 10 ft. Sides
Parking Requirement	2 Spaces w/1 per DU in Garage 25% Guest Parking
Planned Unit Development (PUD)	Customized Standards (i.e. Parking, etc.)
ALTERNATIVE 1	
10 DU	~1,000 sf / DU
Bldg A: 5-Two Bedroom DU	4.5 DU Equivalents (5 DU x .9)
Bldg B: 5-Two Bedroom DU	4.5 DU Equivalents (5 DU x .9)
Parking	1 Garage Space/DU 2 Guest Spaces
Coverage	40% Buildings, 16% Drive & Walkways
Height	35 ft. (3 Levels)

FIG. 6: Alternative 1 anticipated zoning and code parameters

### Alternative 2

Alternative 2 yields a total of 15 DU within three residential buildings. Bldg. A contains 1, one-bedroom DU plus garage and 2, two-bedroom DU on the upper levels. The two larger Bldgs. B & C would each have garage parking and 2, one-bedroom DU on the ground level with 2 two-bedroom DU on each upper-level floor (see FIG 7). The one-bedroom DU would be approximately 525 sf each, whereas the two-bedroom DU would have about 1,000 sf each. Like Alternative 1, the garage parking would include storage. Note that the 15 DU of Alternative 2 exceeds the 12 DU allowed by the RM-24 zoning designation with a density bonus, which would increase the affordability requirements for the parcel. Anticipated zoning and code parameters are outlined in FIG 8.





FIG. 7: Alternative 2 Conceptual Site Plan

ZONING & CODE PARAMETERS	
Residential Zoning District	RM-24
Parcel Size	.32 Acre
Allowable Density	8 Dwelling Units (DU)
Density Bonus	50%
Allowable Density w/Density Bonus	12 DU
Coverage	70% Max
Height	35 ft. Max (up to 3.5 Levels)
Setbacks	20 ft. Front & Back / 10 ft. Sides
Parking Requirement	1.5 Spaces/DU for One Bedroom DU 2 Spaces/DU for Two Bedroom DU 25% Guest Parking
Planned Unit Development (PUD)	Customized Standards (i.e. Parking, etc.)
ALTERNATIVE 2	
15 DU	~525 sq ft/One Bedroom DU, ~1,000 sq ft / Two Bedroom DU
Bldg A: 3-One Bedroom DU	2.01 DU Equivalents (3 DU x .67)
Bldg B: 2-One Bedroom DU, 4-Two Bedroom DU	1.34 DU Equivalents (2 DU x .67), 3.6 DU Equivalents (4 DU x .90)
Bldg C: 2-One Bedroom DU, 4-Two Bedroom DU	1.34 DU Equivalents (2 DU x .67), 3.6 DU Equivalents (4 DU x .90)
Parking	1 Garage Space/DU 3 Guest Spaces
Coverage	46% Buildings, 24% Drive & Walkways
Height	35 ft. (3 Levels)

FIG. 8: Alternative 2 anticipated zoning and code parameters



### Alternative 3

Alternative 3 yields 10 DU (all two-bedroom) plus a garage located within a single residential building (Bldg. A) (see FIG 9). The ground level would include one garage parking space per unit, storage space, and 2, two-bedroom DU. The upper two levels of Bldg. A would consist of 4, two-bedroom DU on each floor. The two-bedroom DU would be approximately 1,000 sf each. The footprint of the Alternative 3 building would be somewhat like the existing apartment building on the lot north of the HAF parcel. Zoning and code parameters are outlined in FIG 10.



FIG. 9: Alternative 3 Conceptual Site Plan

ZONING & CODE PARAMETERS	
Residential Zoning District	RM-24
Parcel Size	.32 Acre
Allowable Density	8 Dwelling Units (DU)
Density Bonus	50%
Allowable Density w/Density Bonus	12 DU
Coverage	70% Max
Height	35 ft. Max (up to 3.5 Levels)
Setbacks	20 ft. Front & Back / 10 ft. Sides
Parking Requirement	2 Spaces w/1 per DU in Garage 25% Guest Parking
Planned Unit Development (PUD)	Customized Standards (i.e. Parking, etc.)
ALTERNATIVE 3	
10 DU	~1,000 sf / DU
Bldg A: 10-Two Bedroom DU	9 DU Equivalents (10 DU x .9)
Parking	1 Garage Space/DU 2 Guest Spaces
Coverage	32% Buildings, 21% Drive & Walkways
Height	35 ft. (3 Levels)

FIG. 10: Alternative 3 anticipated zoning and code parameters

### Preliminary Financial Feasibility Analysis

A high-level back-of-the-envelope (BOE) financial model (AKA proforma) tested the economic feasibility of the three alternatives. The goal was to find the right combination of conceptual modeling assumptions that would result in project financial feasibility. The financial models weighed estimated project costs against anticipated project revenues. One BOE scenario assumed all DU as rental units and the other scenario assumed all DU as for-sale units.

For the rental scenario, assumptions were made for rent and construction cost. For modeling purposes, the land value was assumed to be a contribution to the project. The rental scenario BOE proforma summary reflects Alternative 1 (FIG. 11). Rental rates were based on Truckee market-rate comps with an added premium for future cost escalation. Construction costs were expressed on a square-foot basis. Soft costs, including architecture, engineering, permitting, and financing fees, were factored as percentages of overall costs. Also crucial to the financial feasibility of a rental unit scheme was a developer's "hold" period of the property.

Once a project is completed, a typical ownership hold period is five years. Five years is usually deemed sufficient to stabilize the rental operation, revenue stream, payment of financing obligations, etc. This also helps determine project sales price based on an equation that considers operating income and estimated property value, known as a "cap rate." Market cap rates vary from project type. The assumed cap rate (year one operating revenue/estimated sales price) of 5% is within the current range of 4 to 10% cap rates for multi-family residential rental property. Lower cap rates, such as the 5%, reflect lower risk and higher demand aligning with current market conditions in Truckee. Significantly a change to any one variable could impact the project's financial feasibility. For example, if construction costs are higher yet rental rates remain the same, this would negatively impact the proforma.

SCENARIO 1 RENTAL PROPERTY	
<b>Assumptions</b>	
<b>Revenue</b>	
Rental:	
Unit	\$2,975/month for Two-Bedroom
Unit	\$2,250/month for One-Bedroom
<b>Costs</b>	
Construction:	\$440/sf
Land:	\$1
<b>Timing</b>	
Pre-development:	9 months
Construction:	12 months
Lease-up:	3 months
Exit Month (Sale):	Month 72
Cap Rate*:	5%
<b>Summary</b>	
Development Cost:	\$6,584,935 (\$659,494/DU)
Net Sale Proceeds:	\$6,715,656
Net Profit:	\$245,146

\*Cap rate = year 1 operating revenue/estimated sales price

FIG. 11: Preliminary market-rate rental property proforma summary

Key assumptions were made in the for-sale scenario related to anticipated sales revenue and construction costs. The land was also assumed as a contribution to the housing project. As with the rental plan, timing assumptions also impact the proforma as longer construction schedules increase costs versus shorter time frames. The same applied to the sales pace and timing for sales completion. The for-sale scenario proforma summary reflected below was for Alternative 2 (FIG. 12). Sales price/square foot was based on Truckee area comps. Square foot construction costs were slightly higher than costs in the rental scenario, reflecting a higher level of finish. As with the rental scenario, a change to any one variable could impact the financial feasibility of the project.

## SCENARIO 2 FOR SALE PROPERTY

### Preliminary Assumptions

#### Costs

Construction:	\$510/sf
Land (contribution):	\$1

#### Sales Revenue

Sales Price/SF:	\$745/sf market-rate (equates to \$745,000/DU)
	\$650/sf affordable (equates to \$650,000/DU)

#### Timing

Pre-development:	9 months
Construction:	12 months
Sales:	6 months

#### Summary

Development Cost:	\$7,731,3635
Net Sale Proceeds:	\$6,616,960
Estimated Net Profit:	\$885,592

FIG. 12: Preliminary for-sale property proforma summary

### Summary and Preliminary Conclusions

To reiterate, below are key issues and questions for the Council to consider regarding the HAF parcel, followed by some general thoughts stemming from this analysis.

1. Plan Alternatives: Which, if any, of the conceptual site plan alternatives is preferred? Are there other alternatives the Council would like to explore?
2. Land Value: How should the value of the Town-owned land be optimized and leveraged to support a housing project (i.e., contribute the land, provide a low-interest loan for the land, etc.)? If the Council supports a land contribution, staff recommends that the Council include an affordable and/or workforce housing deed restriction as a requirement of any contribution.
3. Rental or For-Sale Housing: Is there a preference for the housing development to be rental or for-sale dwelling units (DU) on the HAF parcel?

The current RM-24 zoning designation would allow up to 8 DU on the site. An affordable housing project component would allow a density bonus of 50% equating to 12 DU for the parcel. Although two of the alternatives reflect 10 DU each, both could physically accommodate up to 12 DU with adjustments to the unit mix. For the 15 DU alternative (Alternative 2), the Town could consider a zoning amendment to accommodate the additional DU above the current zoning cap of 12 DU or potentially increase the affordability requirement of the parcel to allow for a higher density. All three options demonstrate that Missing Middle housing types are feasible and could be physically accommodated on the parcel in a scale and form compatible with that of the neighborhood. Breaking up building mass would also be important, which Alternatives 1 & 2 demonstrate to a greater degree than Alternative 3.

In terms of entitlements for the HAF parcel, a Town-initiated entitlement process prior to sale or partnership with a developer would likely render the property more attractive to the development community as it could significantly reduce cost and risk. Entitled land would also provide more upfront certainty as to the type of housing that could be developed and enhance the value of the land as an asset to the Town. Entitlements that include a greater degree of flexibility for site planning and layout and certainty regarding overall DU count would also be a plus. Because of these benefits, staff recommends that the Council direct staff to commence the land use entitlement process and return at a later date with



a complete proposal that addresses all aspects of the process including coordination with a development team.

Regarding whether best as a rental property or for-sale development, there are pros and cons to either approach. Rental income would be ongoing and increase over time however along with operating costs, whereas sales revenue would be more of a finite occurrence wherein revenue proceeds could be leveraged or invested in other future housing projects.

The HAF parcel presents the Town with a unique opportunity for a potential public-private partnership to create needed Missing Middle housing at a smaller yet impactful scale. The parcel could serve as a model for similar land parcels throughout the Town. The financial structure around the land, such as a contribution of the land at low or no cost to an affordable housing builder/developer or providing a low-interest land loan, would be one of the keys to making an affordable housing project feasible under a public-private partnership scenario.

**Priority:**

<input type="checkbox"/> Enhanced Communication	<input type="checkbox"/> Climate and Greenhouse Gas Reduction	<input checked="" type="checkbox"/> Housing
<input type="checkbox"/> Infrastructure Investment	<input type="checkbox"/> Emergency and Wildfire Preparedness	<input type="checkbox"/> Core Service

**Fiscal Impact:** This work has been funded through the Planning Division's General Fund allocation toward a two-month assignment with David Tirman, the Division's summer 2023 intern.

**Public Communication:** Standard agenda noticing.

**Attachments:**

Attachment 1 - Presentation slides: Housing Concepts, High Altitude Fitness Parcel

# HOUSING CONCEPTS

## High Altitude Fitness Parcel

Item 7.5



# OVERVIEW

- Issues/Questions to Consider
- Precedents
- Site
- Concepts
- Feasibility
- Feedback
- Questions



## ISSUES/QUESTIONS TO CONSIDER:

### 1. PLAN ALTERNATIVES

- Which conceptual plans, if any, are preferred or are there other alternatives Council would like to explore?

### 2. ENTITLEMENTS

- Internal Town-led process or private development led?

### 3. LAND VALUE

- How best to leverage land value? Contribute land or provide a low-cost land loan to developer, or other?

### 4. DEVELOPMENT STRUCTURE

- Any preference for housing to be rental or for sale residential?

# PRECEDENTS

Item 7.5



# PRECEDENTS

Item 7.5

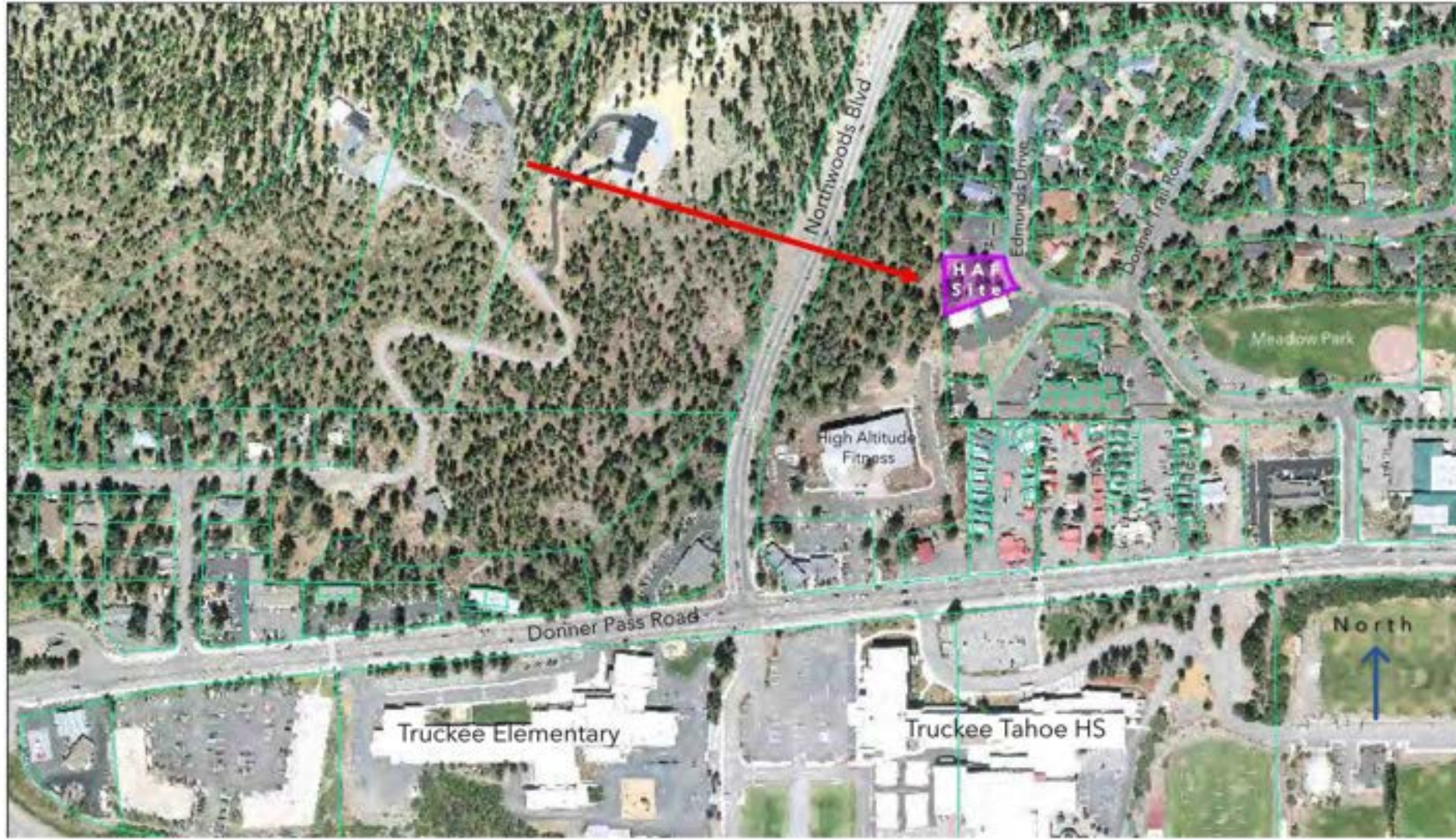




# SITE

## Location & Context

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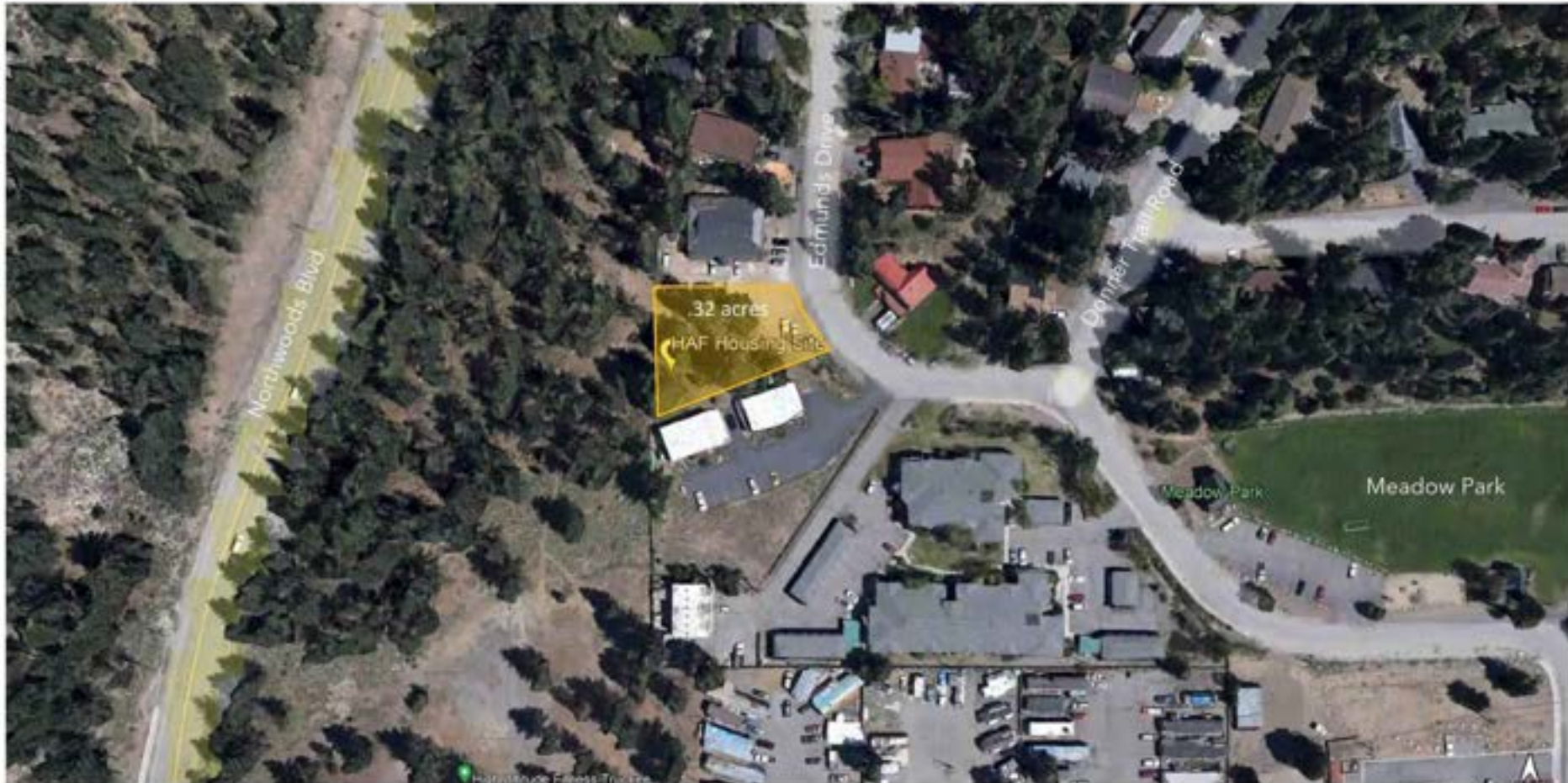




# SITE

## Zoning & Development Code Highlights

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**GP Zoning:** RM-24   **Density Bonus:** 50%   **Coverage\*:** 70% max   **Height\*:** 35 ft.   **Setbacks\*:** 10 ft sides, 20 ft front & back  
**Other:** Potential PD

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\*Anticipated code restrictions-subject to final Development Code update process

# SITE

## Existing Conditions

Item 7.5



Panorama from Edmunds Drive





View to Northwest



View to Southwest



View to Southeast



View to East





View to Southwest



View to South





View to West



View to West



# SITE Topography

Item 7.5



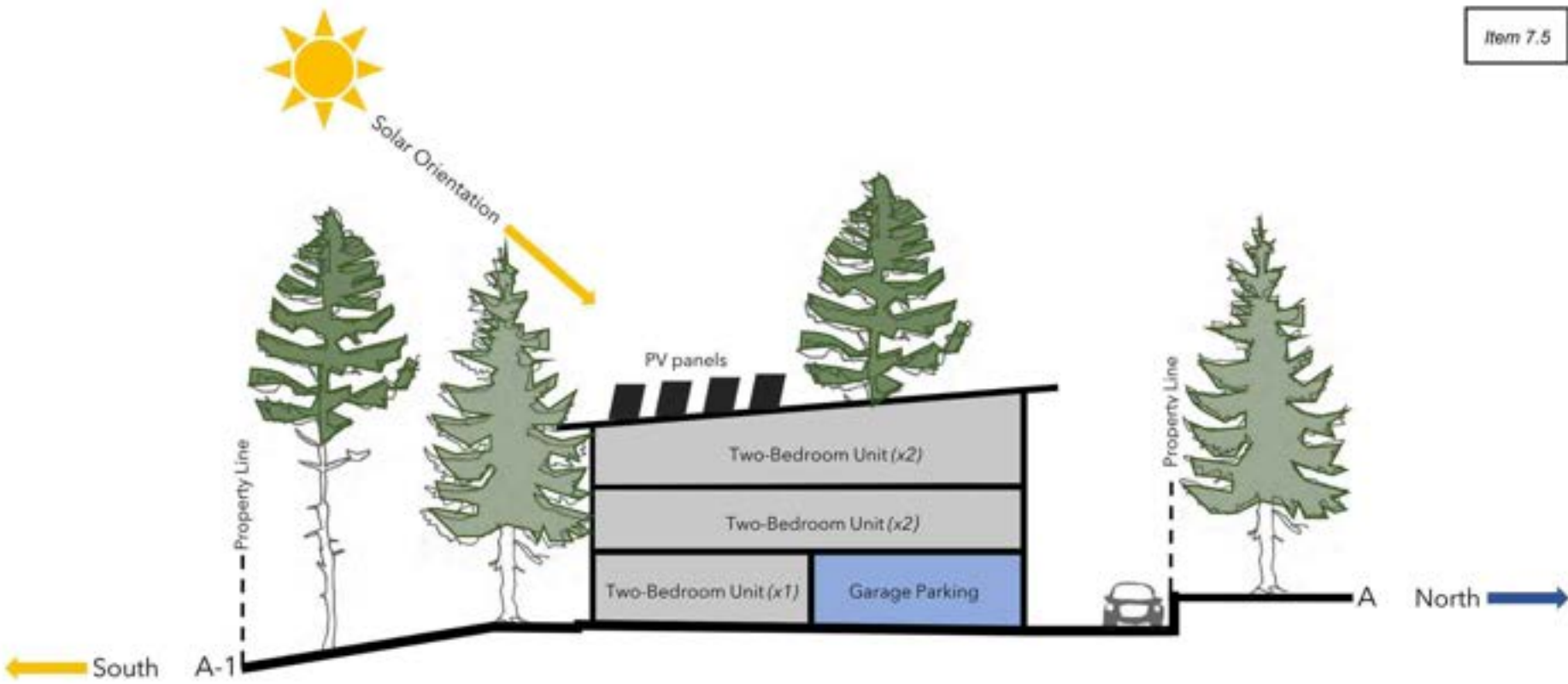
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## SITE PLANNING OBJECTIVES

- RESIDENTIAL SCALE & FORM
- OPTIMIZE DENSITY
- MINIMIZE COVERAGE
- SOLAR ORIENTATION
- RESTRICTED PARKING







Alternative 1 Cross Section



## ZONING & CODE PARAMETERS

Residential Zoning District	RM-24
Parcel Size	.32 Acre
Allowable Density	8 Dwelling Units (DU)
Density Bonus	50%
Allowable Density w/Density Bonus	12 DU
Coverage*	70% Max
Height*	35 ft. Max (up to 3.5 Levels)
Setbacks*	20 ft. Front & Back / 10 ft. Sides
Parking Requirement*	2 Spaces w/1 per DU in Garage 25% Guest Parking
Planned Development (PD)	Modified Standards (i.e. Parking, etc.)

## ALTERNATIVE 1

10 DU	~1,000 sf / DU
Bldg A: 5-Two Bedroom DU	4.5 DU Equivalents (5 DU x .9)
Bldg B: 5-Two Bedroom DU	4.5 DU Equivalents (5 DU x .9)
Parking	1 Garage Space/DU 2 Guest Spaces
Coverage	40% Buildings, 16% Drive & Walkways
Height	35 ft. (3 Levels)

\* Anticipated code restrictions subject to finalization of Development Code updates





## ZONING & CODE PARAMETERS

Residential Zoning District	RM-24
Parcel Size	.32 Acre
Allowable Density	8 Dwelling Units (DU)
Density Bonus	50%
Allowable Density w/Density Bonus	12 DU
Coverage*	70% Max
Height*	35 ft. Max (up to 3.5 Levels)
Setbacks*	20 ft. Front & Back / 10 ft. Sides
Parking Requirement*	1.5 Spaces/DU for One Bedroom DU 2 Spaces/DU for Two Bedroom DU 25% Guest Parking
Planned Development (PD)	Modified Standards (i.e. Parking, etc.)

## ALTERNATIVE 2

15 DU	~ 525 sf/One-Bedroom DU, ~ 1,000 sf / Two-Bedroom DU
Bldg A: 3-One Bedroom DU	2.01 DU Equivalents (3 DU x .67)
Bldg B: 2-One Bedroom DU, 4-Two Bedroom DU	1.34 DU Equivalents (2 DU x .67), 3.6 DU Equivalents (4 DU x .90)
Bldg C: 2-One Bedroom DU, 4-Two Bedroom DU	1.34 DU Equivalents (2 DU x .67), 3.6 DU Equivalents (4 DU x .90)
Parking	1 Garage Space/DU 3 Guest Spaces
Coverage	46% Buildings, 24% Drive & Walkways
Height	35 ft. (3 Levels)

\* Anticipated code restrictions subject to finalization of Development Code updates





## ZONING & CODE PARAMETERS

Residential Zoning District	RM-24
Parcel Size	.32 Acre
Allowable Density	8 Dwelling Units (DU)
Density Bonus	50%
Allowable Density w/Density Bonus	12 DU
Coverage*	70% Max
Height*	35 ft. Max (up to 3.5 Levels)
Setbacks*	20 ft. Front & Back / 10 ft. Sides
Parking Requirement*	2 Spaces w/1 per DU in Garage 25% Guest Parking
Planned Development (PD)	Modified Standards (i.e. Parking, etc.)

## ALTERNATIVE 3

10 DU	~1,000 sf / DU
Bldg A: 10-Two Bedroom DU	9 DU Equivalents (10 DU x .9)
Parking	1 Garage Space/DU 2 Guest Spaces
Coverage	32% Buildings, 21% Drive & Walkways
Height	35 ft. (3 Levels)

\* Anticipated code restrictions subject to finalization of Development Code updates

# FEASIBILITY

## SCENARIO 1-RENTAL PROPERTY

### Preliminary Assumptions

#### Revenue

Rental: \$2,975/month for Two-Bedroom Unit  
\$2,250/month for One-Bedroom Unit

#### Costs

Construction: \$440/sf  
Land: \$1

#### Timing

Pre-development: 9 months  
Construction: 12 months  
Lease-up: 3 months  
Exit Month (Sale): Month 72  
Cap Rate\*: 5%

### Summary

Development Cost: \$6,584,935 (\$658,494/DU)  
Net Sale Proceeds: \$6,715,656  
Net Profit: \$245,146

\*Cap rate = year 1 operating revenue/anticipated sales price



## FEASIBILITY SCENARIO 2-FOR SALE PROPERTY

### Preliminary Assumptions

#### Costs

Construction:	\$510/sf
Land:	\$1

#### Sales Revenue

Sales Price/SF:	\$745/sf market-rate (\$745,000/DU)
	\$650/sf affordable (\$650,000/DU)

#### Timing

Pre-development:	9 months
Construction:	12 months
Sales:	6 months

### Summary

Development Cost:	\$7,731,3635
Net Sale Proceeds:	\$8,616,960
Net Profit:	\$885,592

## ISSUES/QUESTIONS TO CONSIDER:

### 1. PLAN ALTERNATIVES

- Which conceptual plans, if any, are preferred or are there other alternatives Council would like to explore?

### 2. ENTITLEMENTS

- Internal Town-led process or private development led?

### 3. LAND VALUE

- How best to leverage land value? Contribute land or provide a low cost land loan to developer, or other?

### 4. DEVELOPMENT STRUCTURE

- Any preference for housing to be rental or for sale residential?



## STAFF RECOMMENDATION:

### Land:

If Council supports a land contribution, staff recommends an affordable and/or workforce housing deed restriction as a requirement.

### Entitlements:

Commence a land use entitlement process and return at a later date with a complete proposal addressing all aspects of the process, including coordination with a development team.



Questions?