BROWN RANCH

Focus Team: Project Economics & Stewardship #3: Economic Feasibility Tradeoffs

Date and Location: Wednesday, March 2, 2022 – Community Center East Room

Estimated Attendance: 20-22/ planning to live at BR: 4

Guiding Questions:

- How should we think about key trade-offs and what should we prioritize (income levels, densities, subsidies) for Brown Ranch?
- What product type density and % of AMI are we comfortable with the community having on average?
- How can we merge the urban design vision and demand group vision with economics to come up with a project that is feasible?
- What infrastructure strategies could positively affect the project's economic feasibility, and long-term affordability for residents?

Key Technical Information Shared:

Technical consultant Dana Schoewe presented on economic feasibility trade-offs including: Infrastructure cost, vertical cost, product types and subsidy required. See attached slides.

Public Input:

Comments:

- Comments on density:
  - I'd suggest aiming for slightly lower than 15 unit/acre density if there are grant options to support it- maybe more to the 40/40/20 or 30/40/30 breakdown.
  - Going for a 140% average AMI with 10-13 densities seems feasible. Yellow - light green ranges.
  - The site is going to dictate the size and density of what is built at brown ranch.
  - We need to preserve the identity of our town and not over build/ over develop.
- Comments on Subsidy:
  - We need to maximize sources of revenue to help cover subsidies without going to the well of taxpayers.
  - Do we want to minimize subsidy?
  - We need to know what the number of approximate subsidies that is available.
  - Should SSRC be responsible for providing some financing to the development because they are bringing a portion of these new families to town that are needing housing.
  - Subsidy is inclusive of infrastructure cost.

  - For real estate, YVHA should look into land leasing. There are plenty of ways to sell off land and use those funds to help subsize other parcels of land, infrastructure and vertical cost.
  - You should set commercial leases as 100-year land leases to help maintain the affordability should commercial businesses fail.
- Comments on manufactured homes:
  - As a builder, it might be more feasible to move the manufacturing to modular.
  - Manufactured homes are often more efficient due to less waste, thus lowering the cost per square foot significantly.
  - I do not endorse manufactured or “mobile” options, since they are often built to lower codes.
  - Look into precast concrete or ICF, since those developments may be eligible for grants for energy efficient homes, especially since this seems to be a challenge for infrastructure.
- Other comments:
  - When you build more expensive homes, you bring more jobs for employers in order to service the needs of those residents with more money.
  - Mobility in the housing market will only foster the economic growth within our community.
  - The challenge for those in the move-up group (those living in the entry level properties) is the crazy cost increase of those "move-up" properties.
  - Another person had brought this up at last meeting, but the Sunlight application are not a good measure of demand, since they cut off at 120%. That already creates a survey bias.

Questions:

- Can I clarify an assumption? It sounds like the only building option presented is traditional stick built.
- Would modular be a solution for apartments and townhomes?
- By reducing the size of the units will that help reduce the costs?
- Will there be a maximum single family home square footage as we move towards the growth boundary?

- What is the density of condo land vs downtown?
- Is there an opportunity to have the more expensive houses subsidize the more affordable ones?
- What are the alternatives for financing subsidy?
- Will YVHA receive funds from the lodging tax fee?
- Do we want to sell of land to commercial to subsidize housing?
- Have potential grants been identified that could give us an idea of options and amount that could be brought in?
- On average should be targeting this entry-level household?
- Would the new development produce an impact development fee?
- What is the sweet spot regarding density?

- Are the subsidy scales focused solely on phase 1 of Brown Ranch? Or are those numbers scalable as we proceed to phase 2 and 3? Density can change as we phase through BR.

Next Steps and Action Items:

We need to hone in on a more specific demand breakdown across AMI levels.

YVHA FOLLOW-UP FOR WEEKLY REPORT

Resources needed from technical consultants for next meeting

N/A

Necessary Cross-Collaboration w/other Focus Teams:

For Infrastructure Team: Finalize infrastructure costs. Are we too low?

Project Economics & Stewardship
Meeting #3

Project Economics & Stewardship Meeting #3 —

Feasibility Trade-Offs
Key Takeaways

- There is a mismatch between local housing needs and cost to build in Steamboat
- It likely costs $200M - $400M to build out infrastructure at the site
- Denser development (product types like apartments and townhomes) result in less infrastructure costs
- Serving an “average” income level that is over ~140% AMI makes vertical construction (no infrastructure costs) feasible for a master development partner
- There is demand for a large first phase of housing development at Brown Ranch, and more housing early on will help reduce costs and enhance feasibility

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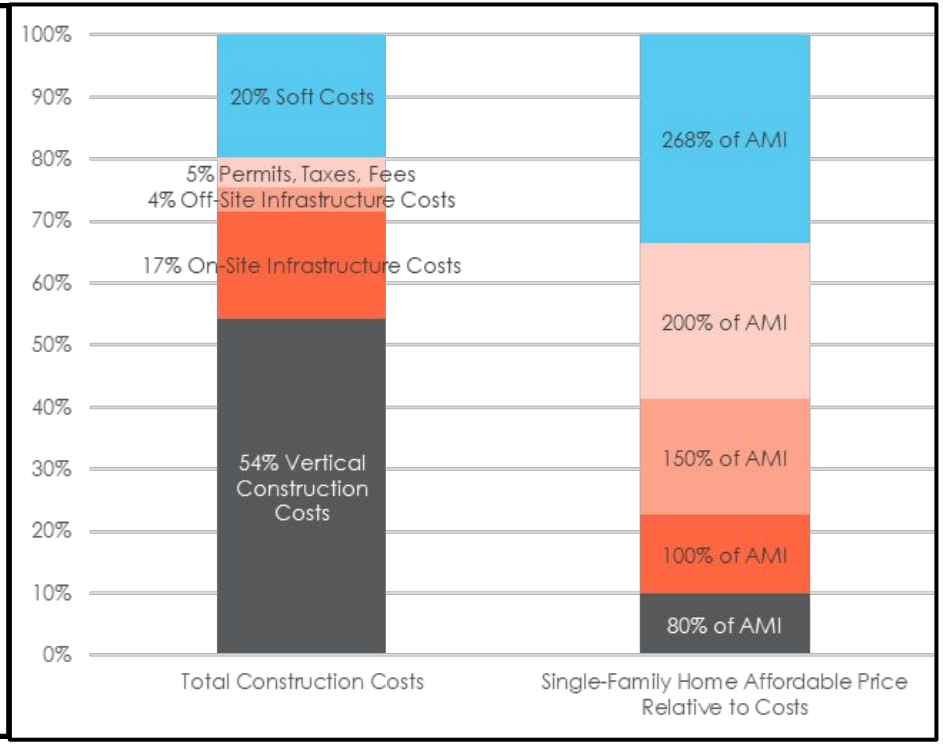
Feasibility Trade-Offs
Key Concepts



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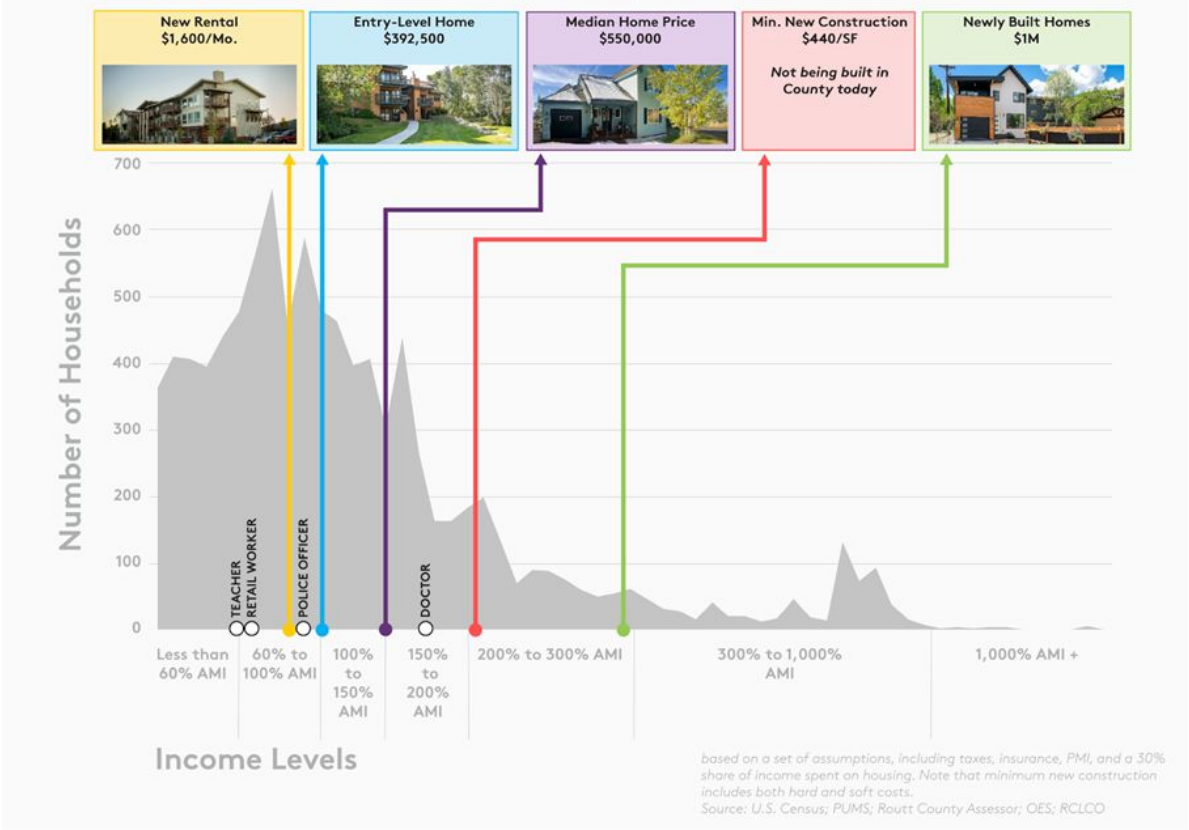
Revisiting the need for more local housing



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Understanding product types in terms of feasibility

	Single-Family Detached	Single-Family Attached	Multifamily
			
Cost to Build Vertical	$350-$450 / SF	$250-$350 / SF	$165-$175 / SF
Likely Income Level Served	Mostly Move-Up	Entry-Level & Move-Up	Affordable (with LIHTC); Entry-Level
Primary Households Served	Families	Families; Couples; Roommates	Singles; Couples; Roommates
Density per Acre	8-10 Units / Net Acre 4-6 Units / Gross Acre	15-18 Units / Net Acre 10-12 Units / Gross Acre	25-30 Units / Net Acre 20-24 Units / Gross Acre

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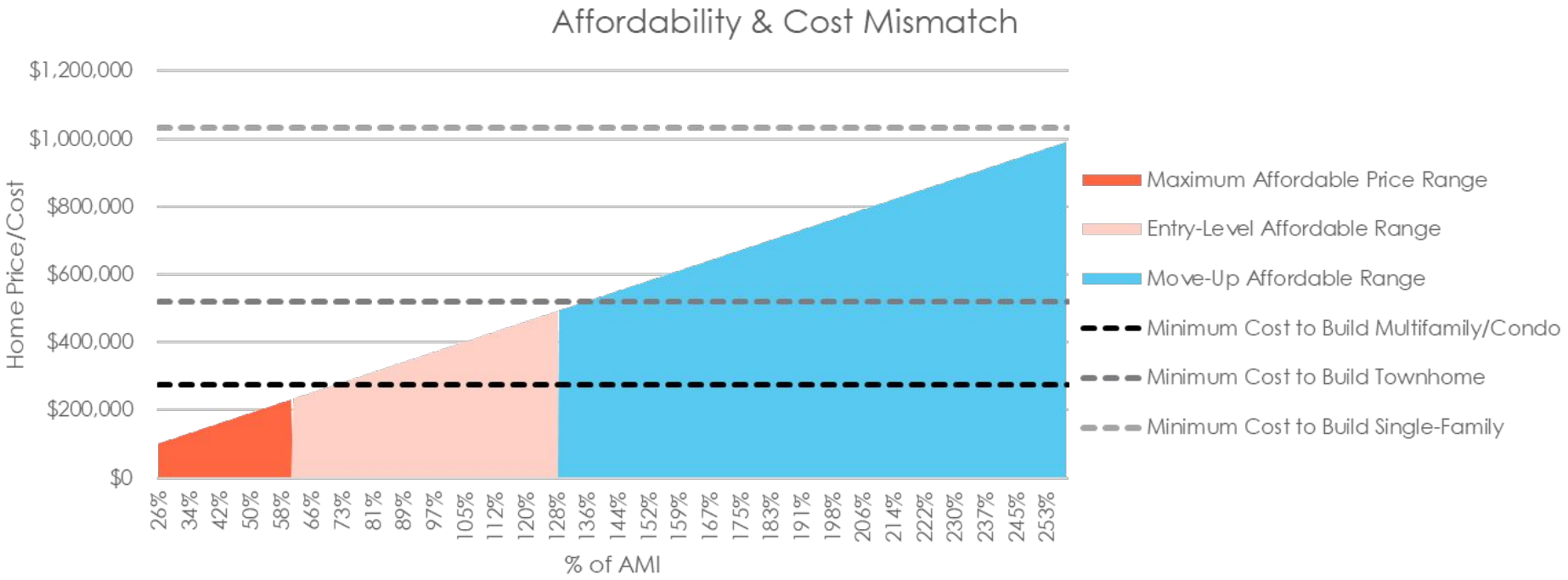
Why we are here: focus on project economics given the mismatch between local housing needs and cost to build



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Benchmark scenario*

- **Let's say… Brown Ranch has an even mix of renters and owners, an "average" density of townhome housing types, and serves a household with ~$100,000 in annual income**

Total average subsidy needed per unit under these conditions:
$128,000

**Cost data will improve with updates from infrastructure group.*

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What does changing community product type mix mean in terms of total subsidy?

- **More density means less development costs, but there are implications in terms of lifestyle of residents, urban design**

↑ Overall density by one unit per acre

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↓ $25,000 in subsidy needed per unit

Subsidy Needed per Unit	% Multifamily	% Townhome	% Single-Family	Average Density (Units per Acre)
$27,107	80%	20%	0%	**18.4**
$59,856	70%	20%	10%	**16.8**
$77,759	55%	30%	15%	**15.2**
$95,662	40%	40%	20%	**13.6**
$128,410	30%	40%	30%	**12.0**
$161,159	20%	40%	40%	**10.4**
$192,378	20%	30%	50%	**9.6**
$225,126	10%	30%	60%	**8.0**
$257,875	0%	30%	70%	**6.4**
$289,094	0%	20%	80%	**5.6**

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What does changing average income level served mean in terms of total subsidy?

- **High income served means more financial feasibility, but this is at odds with addressing the need of lower-income and more vulnerable populations**

↑ 10% average % of AMI served

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↓ $32,000 in subsidy needed per unit

Subsidy Needed per Unit	Multifamily Avg. Household % of AMI	Townhome Avg. Household % of AMI	Single-Family Avg. Household % of AMI	Average Community AMI Served
$355,549	40%	60%	100%	**66%**
$298,707	50%	80%	120%	**83%**
$242,638	60%	100%	140%	**100%**
$185,925	70%	120%	160%	**117%**
$128,410	80%	140%	180%	**134%**
$61,715	100%	160%	200%	**154%**
($3,263)	120%	180%	220%	**174%**
($69,013)	140%	200%	240%	**194%**
($134,978)	160%	220%	260%	**214%**
($202,060)	180%	240%	280%	**234%**

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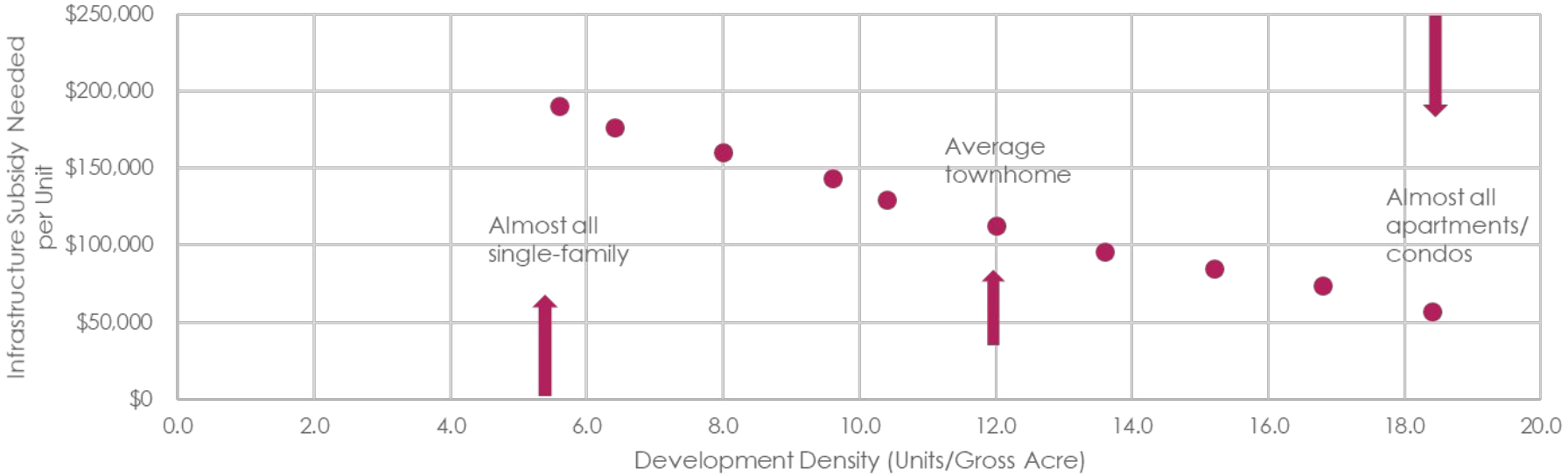
Density Impacts Master Infrastructure Economics

- **Compared to the benchmark scenario* of $113,000 in infrastructure costs per unit:**
  - **-80/20 SFD/MF → cost <u>70% more</u> per unit**
  - **-80/20 MF/SFD → cost <u>50% less</u> per unit**



*Density of 12 units/gross acre (30% multifamily, 40% townhome, and 30% single-family). Estimates will improve with updated information from infrastructure group.

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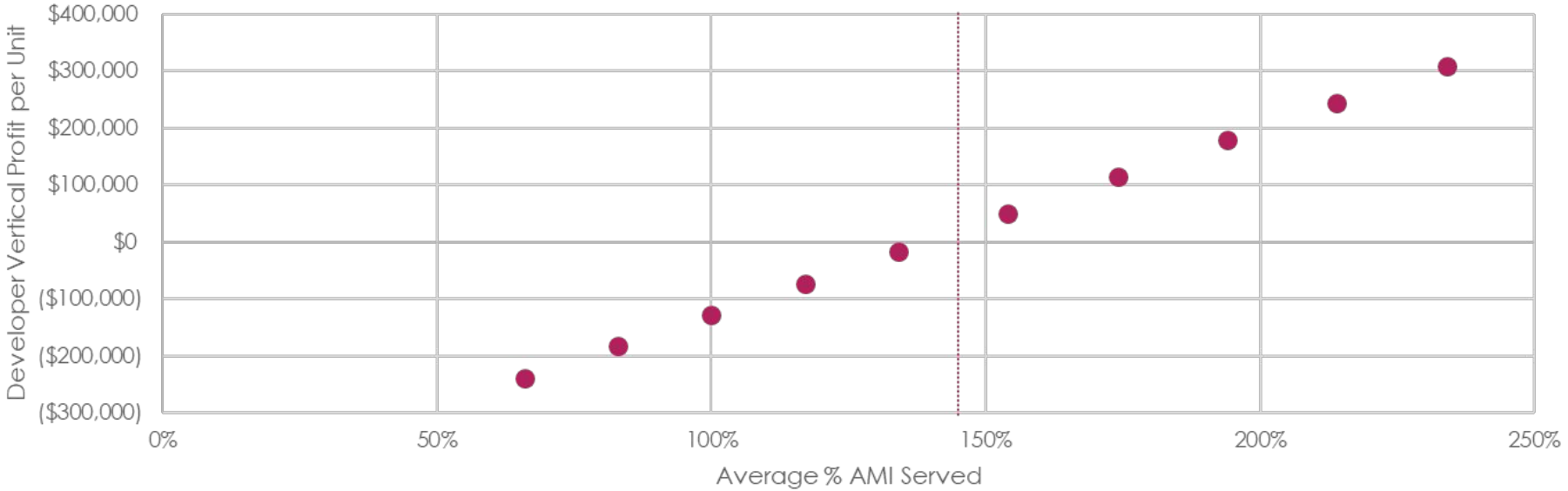
Income Levels Served Impact Vertical Development Feasibility

- **Compared to the benchmark of an average income of 134% of AMI or $100K served:**
  -Above ~140% of AMI served on average results in a profit on vertical development*



Excludes infrastructure costs; cost data will improve with updates from infrastructure group.

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