

Housing tax gains speed

YVHA supports real estate transfer fee for affordable units

By Brandon Gee (Contact)

Glossary

Inclusionary zoning: Planning communities and developments that will provide housing to all income brackets. Inclusionary zoning ordinances often require any new housing construction to include a set percentage of affordable housing units.

Linkage fees: Impact fees that charge developers for a percentage of the housing needs generated by their new developments. In communities with linkage fee requirements, developers of nonresidential buildings pay a fee, often based on project type (manufacturing, commercial, retail, etc.) and square footage, which is generally deposited in a housing trust fund and used to support affordable housing initiatives. Developers also sometimes have the option to build the housing themselves rather than pay the fee.

Real estate transfer tax: State and/or local taxes that are assessed on real property when ownership of the property is transferred between parties. Real estate transfer tax revenue sometimes is used to fund state or local housing trust funds.

Sources:

www.housingpolicy.org,
www.hud.gov

STEAMBOAT SPRINGS — An alternative method to fund local affordable housing is gaining support — and not just from the developers proposing it.

Board members of the Yampa Valley Housing Authority agreed Thursday to support the concept of a real estate transfer tax to fund affordable housing as an alternative to the city of Steamboat Springs' inclusionary zoning and linkage policies.

The idea of a real estate transfer tax — essentially a sales tax on real estate transactions — is backed by developers including Jim Cook, Joyce Hartless, Michael Hurley, Peter Kreissig, Jamie Morgan, Danny Mulcahy, Brian Olson, Ken Otterman, Chris Paoli and Jon Wade. Under the alternative, developers would pay an impact fee of an agreed-upon percentage of the project and voluntarily impose a real estate transfer fee of as much as 1 percent that would be designated for affordable housing.

"Nobody in the group, not one single person ... made the statement that nothing needed to be done" about affordable housing, said YVHA board member Ed MacArthur, who presented the alternative for consideration by fellow board members.

MacArthur said a real estate transfer tax alternative would be simpler and more understandable, workable and predictable than current city policies. One problem with those policies, he said, is that they require developers to finance huge sums of money early in the process to construct required affordable housing units. That can pose major problems when, as many developers claim now is happening, the units cannot be sold.

Although the transfer fee would not immediately produce the same dollar value of units or in-lieu fees as inclusionary zoning and linkage, supporters argue that the perpetual fee ultimately performs better. According to calculations presented by the developers, Olson's planned Trailside Village at City South, for example, would be required to build \$3.6 million worth of units under current policies but would pay \$7.7 million in cash throughout 30 years with a 1 percent real estate transfer tax, according to developers' estimates.

"A perpetual fee will always beat a one-time fee," said Curtis Church, YVHA assistant director.

Others, however, urged caution on the proposal.

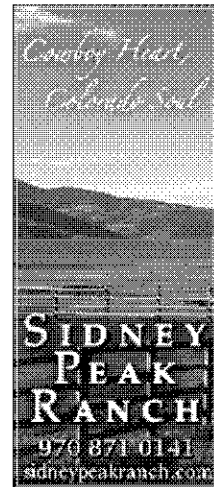
"The ordinance itself wouldn't look so bad if the market didn't look so bad. Everything looks bad," said Steamboat resident Steve Lewis, who noted the transfer tax would be much less burdensome on developers.

YVHA board member Catherine Carson noted the scarcity of land in the Yampa Valley and said one benefit of inclusionary zoning is that it captures real property.

In the end, the board agreed not to support the developers' idea as presented but to write a letter to the Steamboat Springs City Council saying they are in support of the concept of a real estate transfer tax. Several board members noted that YVHA always has supported a variety of tools to address affordable housing.

"We as a community are going to need to be flexible," YVHA board member Kathi Meyer said.

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The Steamboat Springs City Council will engage in a comprehensive review of the city's affordable housing policies starting early next year. City Council President Loui Antonucci said a real estate transfer tax is likely to be one of several options that will be presented by city staff.

The legality of such a tax, however, is a question that has yet to be answered clearly. In Colorado, a real estate transfer tax is illegal unless voluntary or negotiated as part of an annexation. The question is whether the tax would be considered "voluntary" if it was on a list of options for developers to comply with a mandatory affordable housing ordinance. Tom Leeson, the city's director of planning and community development, said last week that city attorneys disagree on the question.

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teleflypicker
December 20, 2008
at 7:38 a.m.
> Suggest removal

Perhaps Ed MacArthur did not hear comments from this group about whether raising funds at all for housing is a good idea, but he should bear no illusions that everyone in the community feels that way.

Not only is the question of whether local government has any business being involved in housing a question that many disagree about, there has been, to date, no compelling vision of what to do with funds that are raised by whatever means.

Steve Lewis
December 20, 2008
at 12:11 p.m.
> Suggest removal

Surveys show that most citizens agree with supporting affordable housing. Unfortunately, this has gotten harder to do.

The City stays out of the housing business better if it lets the ordinance continue to have developers build the housing. RTF cash is the wrong way to go, particularly without the real estate to go along with it. It seems a no brainer anyway, we should build the real estate today vs. take twice its value in cash over 30 years. Any mortgage calculation would say take the unit, even before you add the sober kicker attached to the cash option - "now go build it yourself".

And these RTF numbers may be highly optimistic:

- 1) The RTF spreadsheet given to YVHA Thursday was based on re-sale turnover of 3 of our oldest and lowest priced condos at the base area. Realtors would agree cheaper properties turn over much faster than the high priced projects this list of developers have in mind.
- 2) Also these turnover numbers are likely based on the ultra hot market we just left, rather than the frozen market we are entering.

I respect that YVHA stopped short of fully endorsing this RTF proposal specifically. An ethical choice, because Brandon failed to mention - this proposed RTF's cash would go to YVHA.

teleflypicker
December 20, 2008
at 1:20 p.m.
> Suggest removal

"support" for affordable housing can mean many things, not all of which include willingness to help pay for it.

I suspect that when the question is rephrased as "would you be willing to pay an extra \$5,000 for the home you are interested in buying so that the funds can help pay for someone else's home?" you might find some variation in the responses.

Steve Lewis
December 21, 2008
at 1:19 p.m.
> Suggest removal

Tele,
Real estate prices reflect what the market will bear, more than "I spent this much, so I'll charge this much".

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