

City of Ketchum, Idaho

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October 31, 2011

Mayor Hall and City Councilors
City of Ketchum
Ketchum, Idaho

Mayor Hall and City Councilors:

Warm Springs Ranch Resort Third Development Agreement

Attachments

- ATTACHMENT A: April 7, 2009 WSRR PUD City Council Findings of Fact
- ATTACHMENT B: August 13, 2009 WSRR Development Agreement
- ATTACHMENT C: May 2010 First Amended WSRR Development Agreement (Phasing Plan)
- ATTACHMENT D: January 2011 WSRR Second Amended Development Agreement (12-month Extension)
- ATTACHMENT E: Correspondence from Helios Development LLC
 - Letter requesting amendment of PUD and Development Agreement, July 25, 2011
 - Handout at P&Z meeting, August 22, 2011
 - Letter and second submittal, September 14, 2011
 - Letter for November 7, Council meeting, October 27, 2011
- ATTACHMENT F: Planning and Zoning Commission
 - Findings of Fact, September 26, 2011
 - Minutes, August 22, 2011
 - Minutes, September 26, 2011
 - Minutes, October 10, 2011
- ATTACHMENT G: Comments from City Departments and Agencies
 - Ketchum Parks and Recreation, September 20, 2011
 - Blaine County Housing Authority, October 24, 2011
- ATTACHMENT H: Comments from the Public

Introduction/History

The City Council approved the Warm Springs Planned Unit Development in April of 2009 (Attachment A), and the Warm Springs Ranch Resort Development Agreement in August of 2009 (Attachment B). That document outlined a Phasing Plan (Attachment C) which was subsequently approved by the Council in November of 2009 and amended in May 10, 2010 (Attachment C). In January,

2011, the Council granted a twelve (12) month extension to the developer obligations under the Development Agreement (Attachment D).

Current Report

The applicant is requesting a modification to the approved Development Agreement, as described in the letter dated July 25, 2011 (Attachment E, Applicant Correspondence). The Commission considered these items at their August 22 and September 26th meetings, conducting public hearings at each meeting. The request is focused on two topic areas: workforce housing and active recreation. The scale of the project will be reduced, as shown on the chart on page 3 of the Commission October 10, 2011 Findings of Fact, Attachment F. The P and Z recommendation is in the form of Findings of Fact, included in Attachment F. Minutes from the P & Z meetings are also included in this attachment.

A. Employee (Workforce) Housing

The applicant is requesting to waive the employee (workforce) housing requirement and to create a revenue stream after the Hotel is operational dedicated to workforce housing. The Commission considered this issue in detail at their two public hearings. Please review standard 17 of the PUD Findings of Fact beginning on page 21 (Attachment F) for a review of the difference between Community Housing and Employee Housing; for a summary of the City's Employee Housing Requirements; for a summary of the previously approved WSRR Employee Housing proposal, and for the conclusions of the Commission as to the appropriateness of this proposed revenue stream.

The Council also considered the topic of anticipated changes to the City's Employee Housing policy at two Council work sessions. The concepts discussed in these work session are summarized in Attachment F beginning on page 28.

In their deliberations and findings, the Commission noted a policy distinction between "community" housing and "employee" housing, with the focus of the employee housing program being to ensure that lower paid hotel workers could afford to live in Ketchum. From that perspective, the Commission indicated that they were generally comfortable with the revenue stream concept, subject to details of the program being developed, and so long as funds were not given directly to employees, but were paid to landlords or other housing providers in a transparent manner. The Commission noted that if an audit was necessary, that cost should be borne by the applicant. The Commission discussed various details regarding the implementation of the employee housing program proposal at their September 26th meeting, resulting in Condition of Approval #1 of the October 10, 2011 Commission Findings of Fact (Attachment F).

The Commission also considered the effectiveness of an incentive to waive the employee housing policy based on the timing of hotel permit application. The Commission found that the incentive of waiving the employee

housing if a permit is applied for by a given deadline would be a strong motivator in the case where the developer was required to construct housing or pay cash towards employee housing construction. However, in the case where employee housing is being mitigated with a revenue stream derived from hotel operations and there are no "up front" costs, some members of the Commission did not find there to be a strong link between the timing of the hotel construction and bonus of waiving the employee housing revenue stream. Commissioners debated this issue, and on a vote of 3 to 2 opted not to include a condition related to the waiving of employee housing tied to the date of the hotel building permit application.

B. Active Recreation

The July 25, 2011 amendment request proposed substituting a golf practice facility for the originally proposed nine hole golf course and eliminating the original \$500,000 recreation contribution, substituting construction of two tennis courts in Phase 1 and one in each of the subsequent two phases of the project. No changes were proposed to the trail, open space or Warm Spring Creek restoration and access elements from the original PUD and Development Agreement. (See Attachment E: Correspondence from Helios Development LLC, Letter requesting amendment of PUD and Development Agreement, July 25, 2011.)

At its August 22, 2011 meeting the Planning and Zoning Commission considered the requested changes to the recreation portions of the Development Agreement and asked for more detailed information, including scaled plans, on the golf practice facility and tennis courts. They also asked for more information on the golf and tennis "Locals Programs". In addition, they requested that the Parks and Recreation Department research the cost of building tennis courts.

The applicant's September 14, 2011 submittal included a Site Plan depicting the layout of the proposed recreation facilities; more detail on the golf practice facility and descriptions of the golf and tennis "Locals Programs".

At its September 26, 2011 meeting, the Planning and Zoning Commission considered the applicant's new information on proposed recreation facilities, the Parks Department's report on cost of a tennis court (\$50,000 each) and the option of funding a Recreation Mitigation Fund in a manner similar to that proposed by the developer for Housing Mitigation. The Commission approved recommendation to the City Council of the proposed Development Agreement, with Conditions of Approval #2 – 4, (pages 31 – 32, Attachment F: Planning and Zoning Commission, Findings of Fact, September 26, 2011) outlining rules for development of a Recreation Mitigation Fund and local use of the facilities. (Full background, analysis of evaluation criteria and the Commission's conditions of approval can be found in Attachment F: Planning and Zoning Commission, Findings of Fact, September 26, 2011)

The applicant has responded to staff with a letter, dated October 27, 2011, regarding their position on the Commission's recommendation. (See Attachment E: Correspondence from Helios Development LLC, Letter for November 7, Council meeting, October 27, 2011.) Since the golf and tennis facilities on the property were always privately owned and were decommissioned before current owner purchased the property, the applicant does not agree that the code's "no net loss" of recreation standard applies in this case. They also argue that a "recreation contribution" of \$300,000, separate from the Workforce Housing Fund, as recommended by the Commission, is too significant a financial burden and unacceptable. The letter points out that the proposed golf teaching facility would be a unique recreation opportunity for the Valley.

C. Other topics

The October 27, 2011 letter from the applicant mentions the requirement for a traffic study, which was Condition #6 of the October 10, 2011 Commission Findings of Fact. Staff has clarified that if the roundabout is not changed to a three-way intersection, a revised traffic study would not be necessary, since the project size has been reduced and traffic counts will be lower than what was previously analyzed. Staff has added clarifying language to this condition under the Council Recommend Motion.

Financial Requirement/Impact

Fiscal impacts were analyzed as part of the Warm Springs Ranch Resort Annexation. The applicant stated during the P & Z proceedings that the cost of building employee housing on site would be approximately \$12 million, and upfront cost that is burdensome on the development. The applicant has estimated that revenue stream proposed to offset employee housing impacts would generate \$90,000 in the first year of operation, building to approximately \$130,000 by year three.

There are fiscal impacts to the delay of the construction of the hotel. These impacts are beyond the City's control. The applicant has summarized what they believe to be the fiscal benefits of the project in their October 27, 2011 letter.

Recommendation

Staff recommends that the Council accept the Planning and Zoning Commission recommendation for approval, subject to the Conditions outlined on pages 30 - 32 of the October 10, 2011 Commission Findings of Fact, and repeated below for motion purposes.

Recommended Motion:

I move to approve the Request for by Helios, Development, LLC for a Modification to the Warm Springs Ranch Resort Planned Unit Development (PUD) Approval and Third Amendment to the Annexation and Development Agreement subject to the following conditions. I further move to direct legal and CED staff to prepare the Third Development Agreement for Council review and approval.

PROPOSED CONDITIONS:

1. A dedicated Workforce Housing Fund shall be established to mitigate workforce housing impacts associated with the Hotel. The purpose of the fund is to increase the affordability of housing in Ketchum for employees of the Warm Springs Ranch Resort project. The Fund shall be continually funded as long as the hotel is in operation, subject to the following:
 - a. The Fund shall be established a minimum of two (2) months after the date of Certificate of Occupancy for the Hotel, with an initial fund balance of no less than \$60,000.
 - b. The Fund shall be established based on a percentage of gross sales of hotel room rates, merchandise, food and other similar items. Said percentage shall be 0.5%.
 - c. A reasonable methodology for auditing the Fund shall be provided for in the amendment to the Annexation and Development Agreement.
 - d. The Fund should be a segregated account utilized solely for the employees of the Warm Springs Ranch Resort project.
 - e. Funds from the account may not be dispersed directly to employees, but may only be dispersed to landlords, mortgagee or other acceptable third party providing housing.
 - f. A methodology for the distribution of the funds shall be developed between the parties as a future amendment to the Annexation and Development Agreement. Said methodology should be developed after construction commences but prior to issuance of any Certificates of Occupancy for the Hotel.
 - g. If the fund balance grows and significant approved expenditures are not made, administration of the Fund, including suspension of further funding shall be revisited by the parties.
2. The active recreation section of the Development Agreement shall be modified to allow the recreation mitigation fee of \$300,000 to be paid into

a Recreation Mitigation Fund based on a percentage of gross sales of hotel room rates, merchandise, food and other similar items, or other by other financial means acceptable to the parties. The fund shall be used by the City of Ketchum at its sole discretion to mitigate impacts to active recreation. Funds shall be paid within six (6) years of the opening of the Hotel.

3. A golf practice facility as depicted on the site plan Sheet MP-1100 and presented at the September 26, 2011 Planning and Zoning Commission Meeting shall be constructed. The golf practice facility shall be open to the public and shall include a "Locals Golf Program" consisting of the following:
 - a. The golf course will have "locals" pricing of no less than 20% off the regular resort rate; (ii) the peak hours for the golf course will be 8:00-10:00 a.m. and 4:00-6:00 p.m., and the peak golf season will be from June 20 to Labor Day (shoulder season will be from opening day to June 20 and Labor Day to closing day); (iii) one tee time is considered a group of no more than four (4) golfers, and the pro shop will reserve the right to pair local golfers to create more efficient tee times; (iv) tee times for Locals will be published seasonally in the local newspaper and made available on-line; and (v) walkers will be permitted. The Locals Golf Program may include one or more of the following special events or programs: junior golf play days; ladies golf play days; Warm Springs Championship tournament; 9, Wine and Dine; and charity tournaments. As used in this Agreement, "Locals" means: (i) full-time Ketchum residents; (ii) persons employed full time in Ketchum; or (iii) persons owning a business operated in Ketchum not created for the purpose of obtaining status as a "Local".
 - b. Weekday Rules for Peak Season. Locals will be allowed to have access to the golf practice facility, or portions thereof, every day during the week. Local access will be limited to two (2) tee times back to back per hour during the peak hours of every day of the week. For the remainder of the day, locals will be allowed up to three (3) tee times per hour. Locals may call the day before, after 5:30 p.m., and if tee times are open, they will be allowed to occupy up to three (3) tee times during peak hours and up to four (4) tee times during non-peak hours.

- c. Weekend Rules for Peak Season. Locals will be allowed to have access to the golf practice facility both days of the weekend. Local access will be limited to two (2) tee times per hour during the peak hours of Saturday and Sunday. During non-peak hours, locals will be allowed up to three (3) tee times per hour. Locals may call the day before, after 5:30 p.m., and if tee times are open, they will be allowed to occupy up to three (3) tee times during peak hours and four (4) tee times during non-peak hours.
 - d. Weekday and Weekend Rules for Shoulder Seasons. Locals will be allowed three (3) tee times per hour during peak hours. During non-peak hours, locals will be allowed up to five (5) tee times per hour. Locals may call the day before, after 5:30 p.m., and if tee times are open, they will be allowed to occupy up to four (4) tee times during peak hours and five (5) tee times during non-peak hours.
 - e. The Owner may reasonably restrict access to the golf practice facility to conduct golf school(s) or other formal instruction.
4. Two tennis courts shall be constructed in the first phase of the project as shown on the on the site plan Sheet MP-1100 and presented at the September 26, 2011 Planning and Zoning Commission. One additional tennis court shall be constructed in each of the subsequent two phases of the project for a total of four (4) tennis courts. The tennis courts and related facilities shall be open to the public with a "Locals Tennis Program" that includes local youth and adults. Court time shall be made available a minimum of 3 hours per day, two days per week, with special allowances for tournaments and other community tennis events.
5. The previously approved Design Review of January, 2010 shall not be valid after the effective date of an Amended Annexation and Development Agreement between the City and the Applicant and shall be updated to reflect the revised PUD plan.
6. An updated Transportation Study may be is required, and, if required, shall be submitted as part of the revised Design Review. If required, the study shall, in particular, examine whether the revised intersection at Warm Springs Road and the project entrance is sufficient to handle project traffic combined with future background traffic.

7. An update Phasing and Development Plan shall be submitted to the Council prior to application for any building permits.

Sincerely,

Lisa Horowitz
Community and Economic Development Director