

STAFF REPORT
KETCHUM PLANNING AND ZONING COMMISSION
REGULAR MEETING OF AUGUST 22, 2011

PROJECT: Warm Springs Ranch Resort

FILE NUMBER: PUD-CUP-08-008

OWNER: Helios Development LLC

REPRESENTATIVE: Edward A. Lawson

REQUEST: Request for Modification of Planned Unit Development (PUD) Approval and Amendment of Annexation and Development Agreement (ADA)

NOTICE:

Mailing: Property owners within 600 feet and agencies were mailed notice on Thursday, August 4, 2011

Publishing: Idaho Mountain Express on August 3, 2011

Posting on Site: August 15, 2011

LOCATION: Parcel 1, Tax Lot 8074; Parcels 2 & 8, Tax Lot 8075; Parcel 3, Tax Lot 8076, Parcel 4, Tax Lot 8077; Parcel 5, Tax Lot 8081; Parcel 6, Tax Lot 8079; Parcel 7, Tax Lot 8080; Parcel 9, Tax Lot 8082; and Parcel 10, Warm Springs Creekside Sub, Lot 12; commonly known as Warm Springs Ranch.

ZONING: The site is approximately 77.04 acres in size, of which 11.53 acres are in the Ketchum City Limits and are zoned Tourist (T) and General Residential-Low Density (GR-L) and 65.51 acres are in Blaine County and are proposed for annexation.

REVIEWER: Rebecca F. Bundy, Associate Planner, and Lisa Horowitz, Director of Community and Economic Development

NOTE: Staff comments are in lighter type.

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: July 25, 2011 Letter from Helios Development LLC
ATTACHMENT F: August, 2011 Comments from the Ketchum Parks and Recreation Department
ATTACHMENT G: Comments from other City Departments
ATTACHMENT H: Comments from the Public

I. BACKGROUND

The Ketchum City Council approved the Warm Springs Ranch Resort PUD on April 7, 2009 (City Council Findings of Fact, *Attachment A*). Subsequently, the Council approved the Warm Springs Ranch Resort Development Agreement in August of 2009, (*Attachment B*). That document outlined a Phasing Plan, approved by the Council in November of 2009 (*Attachment C*). The original Development Agreement was amended in May 2010 (*Attachment D*). In January 2011, the City Council approved a twelve (12) month extension of their obligations under the Development Agreement, which is included in *Attachment E*.

On July 25, 2011, the Owner, Helios Development LLC, submitted a letter to the Mayor and City Council requesting a modification of its PUD approval and another amendment to the Annexation and Development Agreement (*Attachment F*). Helios will separately submit a proposal to amend the Design Review Approval for the project.

The Owner is requesting the following amendments to the Annexation and Development Agreement documents:

A. **Workforce Housing:**

2.1 *Section 13 (Workforce Housing) is deleted and the following is substituted therefore:*

“If Owner applies for a building permit on or before June 1, 2014 to construct improvements as part of the Project, the Workforce Housing requirement under the City Code, is hereby unconditionally waived and the Owner shall have no obligation to provide said Workforce Housing or any portion of it. If Owner does not apply for a building permit by the stated deadline then in lieu of the Workforce Housing requirement under the City Code, Owner shall establish a dedicated Workforce Housing fund (“Fund”) with revenue derived from Owner’s Gross Sales (as defined below). The amount of revenue would be one-half of one percent (0.50%) of Gross Sales until \$250,000 was paid to the Fund. “Gross Sales” means the gross selling price of all merchandise or services sold, or delivered, in the ordinary course of business at the hotel (not including any other place of business). Whether for cash or on credit, except for the following: (i) the selling price of all merchandise returned by customers and accepted for full credit, or the amount of discounts, refunds, and allowances made on such merchandise, (ii) merchandise returned for or transferred to another store owned by or affiliated with Owner, (iii) gift certificates, or similar vouchers, until such time as they shall have been converted into a sale by redemption, (iv) sales and use taxes, and other similar taxes now or in the future imposed on the sale of merchandise or services, and (v) sales of real property, fixtures, equipment, or personal property that are not merchandise sold in the ordinary course of business at the hotel.

Owner shall furnish to City a statement of Gross Sales within fifteen (15) days after the end of each calendar quarter and an annual statement of Gross Sales within twenty (20) days after the end of each calendar year. Each statement shall be signed by Owner or its authorized representative. Owner shall keep full and accurate books of account, records, cash receipts, and other pertinent data showing its Gross Sales. City shall be entitled within one (1) year after expiration or termination of a

statement period to inspect and audit all of Owner's books of account, records, cash receipts, and other pertinent data relating to Gross Sales, so City can ascertain Owner's Gross Sales. Owner shall cooperate fully with City in making the inspection. If the audit shows that there is a deficiency in the payment of any moneys to the Fund, the deficiency shall become immediately due and payable. The costs of the audit shall be paid by City unless the audit shows that Owner understated Gross Sales by more than five percent (5%), in which case the Owner shall pay all costs of the audit. City shall keep any information gained from such statements, inspection or audit confidential and shall not disclose it other than to carry out the purposes of this Agreement.

The Fund would be maintained by Owner in a segregated account ("Workforce Housing Account") and would be used solely to subsidize housing costs of eligible hotel employees (as defined below). "Eligible Employee" means _____. Upon presentation to Owner of a written application for housing assistance from an Eligible Employee Owner shall disburse from the Workforce Housing Account to the landlord, mortgagee or third party providing housing to the Eligible Employee up to \$, or % of said Eligible Employee's housing costs."

B. Local Golf Program:

2.2 The second sentence of Section 16 (Active Recreation) and all of Section 16.1 (Local Golf Program) are deleted and the following is substituted therefore:

"Owner shall construct a golf practice facility as depicted on the plan attached hereto as Exhibit "___". The golf practice facility shall be open to the public and shall include a "Locals Golf Program" consisting of the following:"

Section 16 and 16.1 of the original Annexation and Development Agreement state:

16. ACTIVE RECREATION.

Owner, at its sole expense, shall construct trails and pedestrian paths as set forth in this Agreement and in the PUD Development Plan. In addition, Owner shall construct a nine-hole golf course as shown on the PUD Development Plan and donate funds to mitigate impacts to tennis and other recreation programs in Ketchum, as more specifically provided in Section 16.2 herein. Owner and Ketchum agree to consider refurbishing the existing decommissioned tennis courts on the PUD Property, with costs to be split equally between the Parties, up to a maximum of \$80,000 (or \$40,000 each), and agree to enter into a separate agreement for interim use of the existing tennis courts on the PUD Property.

16.1 Local Golf Program. The golf course constructed on the PUD Property shall be open to the public, with a "Locals Golf Program" provided as follows: (i) tee times will be every ten (10) minutes, or six (6) per hour, with advanced booking required for all tee times (advanced booking means one week from the desired date of play); (ii) the golf course will have "locals" pricing of no less than 20% off the regular resort rate; (iii) 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); (iv) 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; (v) local tee times will be published

seasonally in the local newspaper and made available on-line; (vi) walkers will be permitted; and (vii) all adjustments in locals pricing will be tied to the CPI. 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 in Ketchum.

16.1.1 Weekday Rules for Peak Season. Locals will be allowed to have access to the golf course 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.

16.1.2 Weekend Rules for Peak Season. Locals will be allowed to have access to the golf course 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.

16.1.3 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.

16.1.4 Twilight Rounds. Twilight rounds will be from 6 PM – the last tee time each day, will require a tee time, and will be subject to tee time rules as stated in Sections 16.1.1, 16.1.2, and 16.1.3 herein. Locals will receive special pricing of no less than 40% off the resort rate for Twilight Rounds.

Summary:

The Owner is proposing to substitute a golf practice facility for the originally agreed upon nine hole, three par golf course. A “Locals Golf Program” is still included in the proposal.

C. Recreation Contribution:

2.3 Section 16.2 (Recreation Contribution) is deleted in its entirety and the following substituted therefore:

“Owner shall construct two tennis courts in the first phase of the Project and one additional tennis court in each of the subsequent two phases of the Project. The tennis courts shall be constructed in the locations depicted on the plan attached hereto as Exhibit “___”.”

Section 16 .2 of the original Annexation and Development Agreement states:

16.2 Recreation Contribution. Owner agrees to a financial donation of \$500,000 to Ketchum that may be used either for the replacement of the decommissioned tennis courts on the PUD Property, a children’s splash park or skate park, or other recreational facilities and needs Ketchum deems appropriate. Such donation shall be made at such time as is mutually agreed upon by Ketchum and Owner, taking into consideration the possibility of refurbishing the existing WSRR tennis courts as set forth in Section 16 herein and Ketchum’s timeline for the development of new tennis courts. In the event Ketchum and Owner agree to refurbish the existing tennis courts on the PUD Property, Ketchum’s portion of any refurbishment costs may be paid via a deduction in Owner’s required recreation contribution, and Owner’s portion of any refurbishment costs shall be in addition to such recreation contribution.

Summary:

The Owner is proposing to construct four tennis courts (two (2) in Phase 1 and one (1) in each of the subsequent, as yet to be determined, phases) on site rather than pay the financial donation of \$500,000 to Ketchum. Refurbishing the existing WSRR courts on site is outlined as a possibility above. However, four courts do not replace the original eight WSRR courts, nor does it equate to the \$500,000 donation, which was deemed to be the reasonable mitigation to mitigate the loss of the eight existing courts.

II. KETCHUM CITY CODE 16.08.080(A) (PUD) EVALUATION STANDARDS.

- 1. Minimum lot size of three acres. All land within the development shall be contiguous except for intervening waterways. Parcels that are not contiguous due to intervening streets are discouraged. However, the commission and the council may consider lands that include intervening streets on a case by case basis. The commission may recommend waiver or deferral of the minimum lot size and the council may grant said waiver or deferral only for projects which:**
 - a. Include a minimum of thirty (30) percent of community or employee housing, as defined in Section 16.08.030;**
 - b. Guarantee the use, rental prices, or maximum resale prices thereof based upon a method proposed by the applicant and approved by the Blaine County housing authority and/or the Ketchum city council; and,**
 - c. Are on parcels that are no less than one and one-half acres (sixty-five thousand three hundred forty [65,340] square feet). Application for waiver or deferral of this criteria shall include a description of the proposed community or employee housing and the proposed guarantee for the use, rental cost, or resale cost thereof; or,**
 - d. For a hotel which meets the definition of hotel in Chapter 17.08, Definitions, and conforms to all other requirements of Chapter 17.64, Community Core District.**

Modifications or waivers from the provision of Chapter 17.64 may be granted for hotel uses only as outlined in Chapter 17.64.010(H)(c).

Staff Analysis: The original PUD determined that this standard had been met. The applicant is not requesting a change to the approved Community Housing requirement. Employee Housing is more specifically regulated in Zoning Code Section 17.52.010.H Tourist Zone District, and is analyzed under Standard #17, herein.

Recommendation: This item shall be further be analyzed as more information is submitted.

2. That the proposed project will not be detrimental to the present and permitted uses of surrounding areas.

Staff Analysis: The original PUD determined that this standard had been met with a “Tent Diagram” concept. The July 25, 2011 letter from Helios states revised square footage numbers for the hotel and residential components within Phase 1, which are reduced in scale from the original proposal. The applicant has stated that these changes will fit within the adopted Tent Diagram and either meet or increase setbacks established in the original PUD approval. These changes will be processed as a separate request. The changes will modify both the adopted PUD and the Design Review approval.

Recommendation: This item shall be further be analyzed as more information is submitted.

3. That the proposed project will have a beneficial effect not normally achieved by standard subdivision development.

Staff Analysis: The original PUD determined that this standard had been met.

Recommendation: This item shall be further be analyzed as more information is submitted.

4. The development shall be in harmony with the surrounding area.

Staff Analysis: The original PUD determined that this standard had been met. No change to the approved PUD or Design Review have been requested at this time.

Recommendation: This item shall be further be analyzed as more information is submitted.

5. Densities and uses may be transferred between zoning districts within a PUD as permitted under this chapter provided the aggregate overall allowable density of units and uses shall be no greater than that allowed in the zoning district or districts in which the development is located. Notwithstanding the above, the commission may recommend waiver or deferral of the maximum density and the council may grant additional density above the aggregate overall allowable density only for projects which construct community or employee housing; and which:

- a. **Include a minimum of thirty (30) percent of community or employee housing, as defined in Section 16.08.030; and,**

- b. **Guarantee the use, rental prices, or maximum resale prices thereof based upon a method proposed by the applicant and approved by the Blaine County Housing Authority and/or the Ketchum City Council.**

Application for waiver or deferral of this criteria shall include a description of the proposed community or employee housing and the proposed guarantee for the use, rental cost, or resale cost thereof.

Staff Analysis: The original PUD determined that this standard was not applicable, because the applicant met the zoning density requirements and was requesting no waivers. The changes outlined in the July 25, 2011 letter from Helios would not change this analysis.

Recommendation: Staff recommends that this standard has been met.

6. That the proposed vehicular and non-motorized transportation system:

- a. **Is adequate to carry anticipated traffic consistent with existing and future development of surrounding properties;**
- b. **Will not generate vehicular traffic to cause "undue congestion" of the public street network within or outside the PUD;**
- c. **Is designed to provide automotive and pedestrian safety and convenience;**
- d. **Is designed to provide adequate removal, storage and deposition of snow;**
- e. **Is designed so that traffic ingress and egress will have the least impact possible on adjacent residential uses. This includes design of roadways and access to connect to arterial streets wherever possible, and design of ingress, egress and parking areas to have the least impact on surrounding uses;**
- f. **Includes the use of buffers or other physical separations to buffer vehicular movement from adjacent uses;**
- g. **Is designed so that roads are placed so that disturbance of natural features and existing vegetation is minimized;**
- h. **Includes trails and sidewalks that creates an internal circulation system and connect to surrounding trails and walkways.**

Staff Analysis: No current Transportation or Site Plans have been submitted at this time. It is likely that overall traffic volumes will be lower based on a reduced project size.

Recommendation: This item shall be further be analyzed as more information is submitted.

7. That the plan is in conformance with and promotes the purposes and goals of the comprehensive plan, zoning ordinance, and other applicable ordinances of the city, and not in conflict with the public interest.

- a. **Pursuant to Section 16.08.070.D, all of the design review standards in Chapter 17.96 shall be carefully analyzed and considered. This includes detailed analysis of building bulk, undulation and other design elements. The site plan should be sensitive to the architecture and scale of the surrounding neighborhood;**

- b. **The influence of the site design on the surrounding neighborhood, including relationship of the site plan with existing structures, streets, traffic flow and adjacent open spaces shall be considered;**
- c. **The site design should cluster units on the most developable and least visually sensitive portion of the site.**

Staff Analysis: No Site, Landscaping or Architectural Plans have been submitted at this time. See Standard #17 for an analysis of the Tourist Zone District Standards with regards to employee housing.

Recommendation: This item shall be further be analyzed as more information is submitted.

8. That the development plan incorporates the site's significant natural features.

Staff Analysis: The original PUD determined that this standard had been met. No current Site, Landscaping or Architectural Plans have been submitted at this time.

Recommendation: This item shall be further be analyzed as more information is submitted.

9. Substantial buffer planting strips or other barriers are provided where no natural buffers exist.

Staff Analysis: The original PUD determined that this standard had been met. No current Site, Landscaping or Architectural Plans have been submitted at this time.

Recommendation: This item shall be further be analyzed as more information is submitted.

10. Each phase of such development shall contain all the necessary elements and improvements to exist independently from proposed future phases in a stable manner.

Staff Analysis: The July 25, 2011 letter from the Applicant proposes that all employee housing requirements would be waived if the applicant applies for a building permit by June 1, 2014. The Second Amendment to the Development Agreement (Attachment E) has several dates in the attachment relative phasing and other commitments.

Recommendation: This item shall be further be analyzed as more information is submitted.

11. Adequate and useable open space shall be provided. The applicant shall dedicate to the common use of the homeowners or to the public adequate open space in a configuration useable and convenient to the residents of the project. The amount of useable open space provided shall be greater than that which would be provided under the applicable "aggregate lot coverage" requirements for the zoning district or districts within the proposed project. Provision shall be made for adequate and continuing management of all open spaces and common facilities to ensure proper maintenance thereof.

Staff Analysis: The original PUD determined that this standard had been met. No current Site, Landscaping or Architectural Plans have been submitted at this time.

Recommendation: This item shall be further be analyzed as more information is submitted.

- 12. Location of buildings, parking areas and common areas shall maximize privacy within the project and in relationship to adjacent properties and protect solar access to adjacent properties.**

Staff Analysis: The original PUD determined that this standard had been met. No current Site, Landscaping or Architectural Plans have been submitted at this time.

Recommendation: This item shall be further be analyzed as more information is submitted.

- 13. "Adequate recreational facilities" and/or daycare shall be provided. Provision of adequate on-site recreational facilities may not be required if it is found that the project is of insufficient size or density to warrant same and the occupant's needs for recreational facilities will be adequately provided by payment of a recreation fee in lieu thereof to the city for development of additional active park facilities. On-site daycare may be considered to satisfy the adequate recreational facility requirement or may be required in addition to the recreational facilities requirement.**

Staff Analysis: In the PUD process, the Commission discussed park needs and mitigation as the proposal relates to the standards in the PUD ordinance and as a part of the annexation request. Due to the magnitude of the PUD and the fact that this is the largest project proposal on record to be reviewed by the City, Staff recommended the Commission find that the project is of "sufficient size." The Commission determined the Warm Springs Ranch PUD is of sufficient size to require "adequate recreational facilities" as part of the PUD process.

At the time of the original PUD process, the Applicant proposed approximately ten (10) acres of active open space consisting mainly of the golf course which would be open for semi-public use. Approximately fifty-seven (57) additional acres of natural passive open space was proposed. The current application eliminates the golf course and replaces it with a golf teaching facility of unspecified size.

The Warm Springs Ranch property has traditionally provided recreational activities in both active and passive forms including tennis courts and a golf course, access to Warm Springs Creek for fishing, nature walks and general scenic viewing of the landscape. Historically, the public has greatly benefited mainly from the active recreational uses of golf and tennis.

The following recreation analysis was included in the original PUD Findings:

A. Ketchum Comprehensive Plan

The Ketchum Comprehensive Plan is very specific regarding the need for active park space. It is also specific in directing the City to "actively pursue active recreational or useable open space for the Warm Springs Neighborhood, particularly on flat, undeveloped land in Central Warm Springs" (Policy 4.9.6). "Adequate recreational facilities" are not defined in the PUD, Subdivision or Zoning Ordinances or in the Ketchum Comprehensive Plan. This standard would be used to address impacts associated specifically with this proposal. This includes the

decommissioning of a major active recreational facility on subject property - eight (8) tennis courts.

The Ketchum Comprehensive Plan is very specific regarding the need for active park space. It is also specific in directing the City to “actively pursue active recreational or useable open space for the Warm Springs Neighborhood, particularly on flat, undeveloped land in Central Warm Springs” (Policy 4.9.6). “Adequate recreational facilities” are not defined in the PUD, Subdivision or Zoning Ordinances or in the Ketchum Comprehensive Plan. This standard would be used to address impacts associated specifically with this proposal. This includes the decommissioning of a major active recreational facility on subject property - eight (8) tennis courts.

Chapter 2.8 of the Ketchum Comprehensive Plan; Parks, Recreation Trails, and Cultural Resources lists Ketchum’s developed parks. Table 14 (below) in Chapter 2.8 provides further detail consisting of the park, its acreage, and function. Map 8 (page 125 of the Comprehensive Plan); Open Space, Recreation and Heritage, provides graphical details on park locations, other open spaces and trail system serving the City.

Table 14: Ketchum Developed Parks

Park	Acreage (approx.)	Function
Atkinson Park	16.5	Active sports, recreation building
Forest Service Park	1.1	Passive, historic park, open space and museum
Little Park	0.2	Small passive park space adjoining Ore Wagon Museum
Rotary Park	1.9	Passive open space, river frontage

Currently, there are 19.7 acres of active and passive parks in the City of Ketchum. This is an average of approximately 6.1 acres of community park land per thousand (1,000) community population. The Blaine County Recreation District (BCRD) has a standard of 12 acres of neighborhood and community parks per one-thousand (1,000) population. Ketchum is well below this standard and staff recommended the Commission require extensive public access to the golf course and a thorough assessment of the donation (in lieu of tennis) to provide an adequate off-site tennis facility park that would also increase the City of Ketchum’s active park acreage.

The Parks Department has placed a high priority on “no net loss” of recreational facilities in reviewing PUD and annexation proposals. The 2001 Ketchum Comprehensive Plan outlines current park facilities within the City and compares these facilities to adopted Park Standards. Almost all jurisdictions that plan for recreation needs separate park facilities into categories such as “active” and “passive”. These categories are important as user needs and are very

different for different facilities and activities. Jurisdictions that have more complete park planning underway often break down “active” and “passive” into more detailed categories such as:

Sports Fields (Soccer/Multi-Use Field, Base Ball Field)

Courts (Tennis Court, Basketball Court, Volleyball Court)

Outdoor Recreation (Skate Park, BMX Track, Paved Multi-use Trail, Dirt/Gravel Trail, Fishing Accessible Shoreline, River Put-in, Take-out)

Leisure (Playground, Family Picnic Area, Park Benches)

Other (Swimming Pool, Ice Hockey Rink, Outdoor Events Venue)

Some of the facilities listed above do not fall easily into either category. Until the City can undertake a more detailed Parks and Recreation Plan, and for purposes of this project proposal, staff recommended that active facilities be those facilities that are designed for group team sports and intensive high activity: Soccer/Multi-Use Fields, Base Ball Fields, Tennis Courts, Basketball Courts, Volleyball Courts, Swimming Pools, Golf Courses, Ice Hockey Rinks, Skate Parks and BMX Tracks. The Commission found that the golf course shall be considered an active recreational use.

2008 Approved Tennis Mitigation:

The eight (8) existing tennis courts on the property will be permanently decommissioned due to the Applicant’s Statement of Constraints and the Construction Development Program. In lieu of tennis, the Applicant proposed a financial donation of \$500,000 to the City to be used for the creation of new, off-site tennis courts, improvements to existing tennis courts and/or facilities supplemental to tennis courts (i.e. bathrooms, water fountains, etc.) or to build a children’s splash park, to be paid in an initial installment of \$200,000 (due 1/15/12) and subsequent installments of \$100,00 annually.

2011 Revised Tennis Proposal:

The eight (8) existing tennis courts on the property will be replaced with two (2) courts in Phase 1 and one (1) court in each of two (2) subsequent phases, for a total of four (4) courts. This results in a net loss of four (4) tennis courts to the City. No financial donation will be made to the City.

2008 Approved Golf Course and Public Use Plan:

The Applicant also proposed to redesign and augment the previous existing golf course. An executive nine (9) hole par three (3) golf course with a pro-shop of approximately 1,000 square feet is proposed. Five (5) of the holes are proposed west of the core hotel and south of Warm Springs Creek, traversing along the creek and amongst the Villas. The remaining four (4) holes are proposed for the southeast portion of subject property. A Golf Course Program has been proposed, with distinctive scheduling and pricing for locals. Highlights of the Golf Course Program include:

- Pricing of no less than twenty (20) percent off the regular resort rate for locals;
- Access to the golf course seven (7) days a week, yet limited to one (1) tee time per hour during peak hours (8-10 AM and 4-6 PM) and no more than two (2) tee times per hour; and
- Special programs and events at the golf course including Junior and Ladies Play Days, a Warm Springs Championship, and Charity Tournaments.

Detail on the Golf Course Program is included in Section 4.6 of the WSRR Recreation Program in the Applicant Updated Submittal on May 9, 2008. During the June 10, 2008 meeting the Applicant stated that during peak season (Memorial – Labor Day) locals will have access to the golf course and allowed up to 50% of tee times on weekdays, and up to 44% on weekends. During shoulder season (before Memorial and after Labor Day) locals will be allotted up to 78% of tee times on weekdays and weekends with tee times every ten (10) minutes or six per hour.

The Applicant believes that with their project proposal and planned golf course, that there is no overall net loss of recreational facilities on subject property. This supplemented with the fact that prior to the submittal of the PUD and Annexation Application, the tennis and golf were already decommissioned

2011 Revised Golf Proposal:

The Applicant is no longer proposing an executive nine (9) hole, par three (3) golf course. Instead, a golf practice facility is proposed. It will be open to the public and shall include a “Locals Golf Program”. This results in the loss of a nine (9) hole golf course to the City.

2008 Approved Trails Plan:

An integrated year round trail system is proposed that includes connections with future trails to Warm Springs. The Applicant has submitted a Conceptual Trails Plan for the site in Part 2, Exhibit S.14 of the May 9, 2008, submittal. A public multi-use, non-motorized easement will be dedicated for access to the proposed trail system throughout the property as designated and along Warm Springs Creek. A variety of trails have been proposed including a streamside trail on both the north side of Warm Springs Creek near the core hotel building and on the south side of the creek along the northwest portion of subject property. Additionally, connectivity to the existing Warm Springs Road multi-use path for access to Heidelberg Trail and Adam’s Gulch is proposed in addition to a cross country ski trail and mountain trail linkage. (Staff has stated that recreational trails do not appear to meet the spirit of Active Recreational Needs as described in the Ketchum Comprehensive Plan).

The Commission and the Parks Department requested information and analysis from the Applicant on Trail Connectivity to Existing Parks (specifically Atkinson Park) during the April 1, 2008, Open House and P&Z Workshop. Section 4.7 of the May 9, 2008, submittal details the Applicant’s analysis, which consists primarily of design and financial barriers to the proposed

trail linkage. Staff recommends that a collaborative effort between the Applicant, Blaine County Recreation District, and the City be explored to assist in overcoming design and financial barriers. This trail linkage would provide additional public passive recreational space and provide walk able access to the golf course and Warm Springs Creek and other public amenities on the subject property.

2011 Trails Proposal:

No change to the approved trail system is currently proposed. However, the proposed elimination of the golf course may increase trail and open space opportunities. This item shall be further be analyzed as more information is submitted.

2008 Approved Pool and Spa Proposal:

The core hotel will include a spa of approximately 13,000 square feet that will be open to the public for a fee. An indoor/outdoor pool is also proposed but public access has not been stated. The Commission found that neither of these amenities meet the City's needs for "Useable open space" or "Active Recreation," given the potentially limited public access to these amenities.

2011 Pool and Spa – Current Proposal:

No change to the approved pool and spa is currently proposed. This item shall be further be analyzed as more information is submitted.

2008 Approved Warm Springs Creek Proposal:

The project proposal details design and restoration of Warm Springs Creek along portions of the property to augment the existing scenic experience and fishing access. A ten (10) foot fisherman and nature study easement and a twenty-five (25) foot scenic easement will both be dedicated along the banks of Warm Springs Creek through the property as required by Section 16.04.040 (J) of the Ketchum Subdivision Ordinance. (Staff has stated that the proposed fishing access does not appear to meet the spirit of Active Recreational Needs as described in the Ketchum Comprehensive Plan).

2011 Warm Springs Creek Proposal:

No change to Warm Springs Creek access is currently proposed. This item shall be further be analyzed as more information is submitted.

2008 Approved Day Care Plan and 2011 Proposal:

It has not been determined if on-site day care will be provided by the Applicant. At this time no details have been provided.

B. 2008 Parks Department Active Recreational Programs: Tennis and Golf Analysis

The Parks and Recreation Department has submitted a detailed memo and materials, including data on tennis and golf programs offered through their department and in the North Valley, as well as community benefits from these recreational programs and historical involvement with the Parks Department.

Tennis:

Since the previously existing eight (8) tennis courts on the Warm Springs Ranch property have been decommissioned, Staff feels it is important to discuss and provide a brief history of Warm Springs Tennis Club to understand the ramifications of the loss of tennis.

Table 15: Historical Programs and Estimated Daily Participation at Warm Springs Tennis Club

Program/Event	Daily Participation
Monday & Wednesday Ladies' Day (two sessions)	40
Tuesday & Thursday Men's Day (two sessions)	36
Friday Mixed Doubles	24
Monday – Thursday Junior Clinics (3 sessions)	45
Private Instruction	18
Membership and Guest Play	60
Two USTA sanctioned tournaments (per summer) Adult and Junior age brackets	300
Community School Practices and Matches	40

The Warm Springs Tennis Club provided a multitude of community benefits including:

- A venue for adults and youth to socialize.
- Provided opportunity and facilities for youth to establish the skills necessary for high school team participation.
- Provide youth the opportunity to increase tennis skill level.
- Attracted numerous visitors to town.
- Employment for 8 persons.

The Ketchum Parks Department was heavily involved with the Warm Springs Tennis Club and allowed for the sharing of instructors, provided courts for Park Junior Tournaments, provided training clinics for park tennis staff and shared equipment to help reduce overhead costs for tennis programs.

Tennis has been the most successful high school sport throughout this valley within the past 10 years. Many (individual and team) district and state champions have come out of Wood River High School and the Community School. This has been a direct result of the junior programs offered at the Warm Springs Tennis facilities. In the spring of 2010 approximately forty (40) children participated in tennis at the Community School and over seventy (70) children played at Wood River High School.

The Parks Department currently offers a variety of seasonal tennis programs with a full participation level at Atkinson Park. These are listed below with participation levels.

Table 16: Current Ketchum Parks Department Tennis Programs

Program	Participation
Spring after school programs (4 th - 5 th grade)	20
20 Summer programs (4 days/wk, 9am-4pm, 3 rd – 9 th grade)	516
Winter program at Zenergy (7 th – 12 th grade)	40
Fall after school programs (4 th & 5 th grade)	30
Tennis Block Party (June)	30
3 mid-summer tournaments	200

The costs for these programs are very minimal; Forty dollars (\$40) for a ten (10) class session (1½ hr long classes). Six (6) youth-staff are hired during the summer months to run the tennis program and many of those staff historically have been participants in the program. Presently, four (4) outdoor tennis courts are available at Atkinson Park for the programs. In the summer months, the courts are exclusively used from 9am-4pm for the junior program with approximately 30-40 children on the courts at any given time. Men’s groups also meet informally at the Atkinson Park courts to play and practice after the daily programs have completed. Tennis 101 was taught on Wednesday evenings throughout the summer attracting around 20 juniors and adults..

Currently, North Valley Tennis facilities are limited and have varying scheduling, pricing and availability.

Municipal Courts:

There are four (4) public tennis courts in the City of Ketchum at Atkinson Park (free of charge, no reservations, first come-first served). These are used from June 13th – August 19th-between the hours of 9am-4pm held exclusively for the Youth Tennis Program. Public access is before 9am and after 4pm Monday through Thursday, and all day Friday, Saturday, and Sunday.

Private Courts:

There are courts in Sun Valley and Elkhorn that are used by lodge and resort guests. Public can pay a fee for use when they are not occupied. Zenergy has two (2) private indoor courts that are used by the parks program in the winter. Bigwood, Weyyakin and Lane Ranch have private courts for their homeowners. The Ketchum Parks & Recreation Department has been fortunate to have access to Lane Ranch and Bigwood for some of their junior tournaments.

School District Courts:

There are six (6) courts at the high school in Hailey that are used for the tennis team and run by the school district. There are two (2) courts at the middle school in Hailey that are also run by the school district. Nearly eighty percent (80%) of the children on the two local high school tennis teams have been raised on the four courts at Atkinson Park, as well as the eight courts at the previous Warm Springs Ranch.

Golf:

The Parks Department currently offers a limited schedule of summer golf programs primarily due to facility limitations. Golf continues to be the second most-popular program (behind tennis) offered through the Parks Department. The following is a summary of current programs offered and supplemental details:

- Six (6) golf programs for 3rd-9th grades (200 participants).
- One (1) annual junior tournament in June at Bigwood Golf Club (30 participants).
- Three (3) out of town excursions to other golf courses (30 participants).

The use of the Warm Springs Ranch and Bigwood golf courses has been valuable for the Parks 6th -10th grade program. Costs of these programs are minimal as well; Forty dollars (\$40) for a ten (10) class session with 1½ hr long classes. Participants in the 6th-10th program have the ability to play Bigwood during the summer months. Eight (8) youth-staff are hired to teach and coach the children in the Summer Golf Program. Many of the children that have participated in the Parks program presently play on the Wood River and Community School's golf teams.

There are currently four (4) golf courses in the North Valley that are either public or private. Bigwood Golf Club at Thunder Spring is public (\$42 9-hole rate). Sun Valley Golf Course is public (\$80 9-hole rate); Elkhorn Golf Course is semi-private (\$185 18-hole rate), and has not been supportive of junior play. The Valley Club is private. Currently, Bigwood Golf Club at Thunder Spring (\$25 All day Junior rate) is the only course in the valley that is a viable and economical option for our youth to play. Bigwood has been very generous with their acceptance of the Parks golf program by hosting an annual Junior Chuck Gates golf tournament and providing range and course use to our participants.

Warm Springs Golf Course was an ideal type of course for junior golfers as well as a valuable public recreation amenity with affordable greens fees.

As related to golf, Parks Department Staff recommended the following:

1. Public use for the golf course to be published seasonally in the paper.
2. Locals shall have the ability to purchase passes.
3. Two (2) tee times shall be allowed back to back.
4. A twilight pricing plan shall be available for locals.
5. The course shall be walk-able if desired.
6. Regular access for the Park's Junior Golf Program in the summer with passes available.
7. Endowment shall be set up by the developer unless sufficient access, facilities and programs are made available.

Specific comment by the Parks Department has been provided on the Warm Springs Ranch Recreation Program and proposal as a whole related to public recreation. Staff recommended the following requirements:

1. If new courts are constructed off-site with an in-lieu donation, they shall be available to the public just as the previous Warm Springs Tennis Club.
2. A \$500,000 donation (in-lieu of tennis) for the (six) 6 court construction with a clubhouse/restroom facility. This recommendation of an increased donation places into consideration the net loss of two tennis courts (active) and the current lack of land available for construction and that acquired or shared land is still necessary to build the courts.
3. \$7,500 annually for a recreation program endowment to be used towards renting courts, and hiring tennis professionals to teach our youth.
(A bid for six tennis courts totaling approx. \$335,000, dated April 9, 2008, from Valley Paving in Bellevue, Idaho has been submitted as a part of Department comment and can be found in Attachment 3).

Staff recommended that as the Commission reviewed this standard they should consider the in-lieu donation and whether a net loss of two (2) tennis courts (8 existing decommissioned) and the current lack of land available for construction of tennis courts should be offset in the difference between the aforementioned bid and the \$500,000 recommended donation (in-lieu of tennis).

As related to golf, Parks Department Staff recommended the following:

1. Public use for the golf course to be published seasonally in the paper.
2. Locals shall have the ability to purchase passes.
3. Two (2) tee times shall be allowed back to back.
4. A twilight pricing plan shall be available for locals.
5. The course shall be walk able if desired.
6. Regular access for the Park's Junior Golf Program in the summer with passes available.

7. Endowment shall be set up by the developer unless sufficient access, facilities and programs are made available.

The Parks Department has commented that with construction of this type of resort, there will be additional “guest impacts” on the existing active and passive City recreational facilities. People come to this area to recreate and enjoy their lives outdoors. Visitors to mountain towns love to play tennis and golf and we do not currently have the space to accommodate those visitors with our existing facilities.

The Commission found that the \$7,500 annually for a recreation program endowment to be used towards renting courts, and hiring tennis professionals to teach our youth was not necessary and the economic contribution for recreation is sufficient in the lump sum donation as determined by the City Council during negotiation of the Development Agreement.

The Council found that a contribution of \$500,000 was adequate mitigation for the loss of active recreational facilities. The Council determined that the timing of this donation should be outlined in the Development Agreement. Additionally, the Council found that the public access to the golf course as proposed by the Applicant was sufficient.

Original Conclusion:

"Adequate recreational facilities" have been provided. Provision of adequate on-site recreational facilities have been provided in the form of the golf course, including public use of the course as outlined herein. On-site daycare is not a requirement.

Current Recommendation:

As currently proposed "adequate recreational facilities" have not been provided. The City is losing a nine (9) hole golf course and four (4) tennis courts without financial compensation. The Commission should consider, based on Parks staff analysis, whether an additional financial donation or physical on site improvements if necessary to mitigate the loss of recreational opportunities.

- 14. There shall be special development objectives and special characteristics of the site or physical conditions that justify the granting of the PUD conditional use permit.**

Staff Analysis: The original PUD determined that this standard had been met. No current Site, Landscaping or Architectural Plans have been submitted at this time.

Recommendation: This item shall be further be analyzed as more information is submitted.

- 15. The development will be completed within a reasonable time.**

Staff Analysis: No details on timing and phasing of the development have been submitted at this time.

Recommendation: This item shall be further be analyzed as more information is submitted.

16. **That public services, facilities and utilities are adequate to serve the proposed project and anticipated development within the appropriate service areas.**

Staff Analysis: No current Traffic, Utility or Facility Studies have been submitted at this time.
Recommendation: This item shall be further be analyzed as more information is submitted.

17. **That the project complies with all applicable ordinances, rules and regulations of the city of Ketchum, Idaho except as modified or waived pursuant to this subsection A.**

Ketchum recognizes two forms of housing mitigation: employee housing and community housing.

A. Community Housing

Community housing is defined in the Zoning Code (Title 17 and the PUD Ordinance (Title 16) as follows:

Title 17, Zoning Code: COMMUNITY HOUSING OR WORK FORCE HOUSING: Dwelling units, for sale or rent, restricted typically via deed restriction by size and type for individuals meeting asset, income and minimum occupancy guidelines approved by the governing housing authority and the city of Ketchum.

Title 16, PUD: COMMUNITY HOUSING: That portion of housing within a planned unit development that meets the following minimum requirements:

A. Affordability requirements for ownership and rental units:

1. "Ownership community or employee housing unit" means that a unit's selling price shall not exceed the maximum sales prices set forth in part IV, section 2 of the 1997 Ketchum affordable housing guidelines (housing guidelines) or any subsequent amendments. The costs of an ownership unit include mortgage, principal and interest payments, insurance costs and property taxes. Income categories 1 through 4, included in the housing guidelines, shall be considered appropriate categories for the provision of community or employee housing.
2. "Rental community or employee housing unit" means no more than thirty percent (30%) of a household's gross monthly income shall go toward housing costs. For a rental dwelling unit, housing costs include a utility allowance (telephone excluded) and monthly rental payments. To be considered affordable, rental units should be made available and priced for households making sixty percent (60%) or less of the Blaine County AMI.

B. Community housing units must be deed restricted to ensure appropriate income levels served, corresponding sales prices and long term affordability.

Community Housing, 2008 PUD Approval

In December 16, 2008, the Applicant outlined a proposal to address community housing, consisting of a revenue stream derived from a voluntary real estate transfer fee. The fee is applied upon the conveyance of property interest within the project. At that time, 0.5% of the sale price for that unit or lot will be paid to a dedicated community housing fund. With a 2008 estimated first sale of all of the real estate within the project of \$600 million, the first sales on all of the real estate within the project would generate approximately \$3 million towards that dedicated revenue stream. The approved Development Agreement also stipulated this revenue stream from URA tax increment revenue derived from the project would be matched and applied towards the housing fund.

In 2008, the URA revenues from this property over a 15 year period were estimated as follows:

Years 1-5: \$3,800,000 revenue
Years 1-10: \$13,007,000
Years 1-15: \$22,800,000

The Commission deliberated on how to ensure Community Housing or a methodology in the future for hotel projects that may not meet the definition of a hotel. The Commission noted that Community Housing and Employee Housing are not equal products, with issues of square footage, ownership and the disadvantages of being on-site being some of the differentiating characteristics. However, even though workforce housing and community should not be considered equal in weight, each hotel is unique, warranting independent deliberations. The Commission found that this project, Warm Springs Ranch, is a resort hotel, and not a traditional hotel as the City's definition intends, and that an equal credit of square footage of Employee Housing to Community Housing was merited in this case.

The Council concurred with the Commission recommendation and found that the Community Housing requirement per the City definition of "hotel" should be waived, and was satisfied as described in the 2008 Council Findings of Fact, Condition #6.

The applicant is not requesting any change to the adopted Community Housing Mitigation.

B. Employee Housing.

Employee housing in Ketchum is a requirement of Hotels. The following sections from the Tourist Zone District apply to this application.

17.52.010.H Tourist Zone District

d. Employee Housing. Hotel developments are required to mitigate employee housing impacts at a ratio of twenty five (25) percent of the total number of

employees calculated by the following formula: 1 employee per hotel room or bedroom.

2008 Approved PUD

In 2008, the Applicant submitted a revised Employee Housing Plan, which was conceptual in nature. The Updated Application Submittal, dated May 9, 2008, states that 71 employees will be housed on site, which is 46.7% of the hotel's total, estimated employees. No breakdown as to the revised total square footage or unit mix since the initial February 11, 2008, submittal was provided.

The ~~irre~~ scheme contained a total of 36,295 (or 35,290 livable) square feet of Employee Housing consisting of approximately 10,500 square feet of co-housing units, 4,550 square feet of one-bedroom units, and 20,240 square feet of two-bedroom units.

The November 3 and December 2, 2008 Updated Submittals provided details on the new numbers of employees to be housed on site which was 93. For further detail on percentages of employees housed on site, City requirements, and anticipated employee generation, please refer the discussion and calculations stated above under Commission Recommended Hotel/Community Housing Methodology under the Hotel Definition Section of the Findings.

Note that the number of employees estimated by the Applicant is greater than the City's formula of one employee per hotel room. This formula was created as a way of calculating employee housing requirements in a simple manner, and was not intended to reflect the actual number of employees that would be needed to serve any one project. The Council found that the Applicant met the requirements to mitigate employee housing impacts at a ratio of twenty ~~five percent~~ five percent (25%) of the total number of employees calculated by the following formula: 1 employee per hotel room or bedroom.

- e. Employee Housing Plan. The applicant shall provide an Employee Housing Plan that outlines the number of employees, income categories and other pertinent data. The Employee Housing Plan shall be the basis of the applicant's proposal for a mix of employee housing which addresses the range of employees needed to serve the hotel.**

Employee Housing, 2008 PUD Approval:

The Updated Application Submittal received on May 9, 2008 contained a section on Workforce Housing Location. This indicated that due to response to the concern of location and mass of the workforce housing (in the February 11, 2008, submittal) the building was be relocated to the southeast of the core hotel. The amount of employees to be housed was been reduced from 92 to 71, as further detailed by the Applicant on June 19, 2008. The specific building envelope of the Workforce Housing was designated in the Tent Diagram, Drawing A.6, Development Height Standards.

The following table outlines the City of Ketchum’s Workforce Housing requirements with regards to the various schemes reviewed by the City.

Table 2: Warm Springs Ranch Resort, Calculation of Ketchum Workforce Housing Requirements

Scheme	# of Rentable Rooms in the Hotel	Employees (= # of Rentable Rooms)	# of Employees to be housed on site	% of Employees Housed on site	# of Employees per Unit	Livable Square Feet for WF Housing	Type of Rooms	Square Feet of Each Room	Total Employees
9 (Feb. 11, 2008)	152	152	92	60.53%	8 per co-housing unit; 1 per 1BD; 2 per 2BD	40,741	5 co-housing units; 14 1BDs; 19 2BDs	Co-housing = 2100; 1 BD = 800; 2 BD = 1000	152
9 & 10 (May 9, 2008)	152	152	71	46.71%	8 per co-housing unit; 1 per 1BD; 2 per 2BD	30,718	4 co-housing; 9 1BDs; 15 2BDs	Co-housing = 2100; 1 BD = 800; 2 BD = 1000	152
11 (Nov. 5, 2008)	176	176	93	52.84%	8 per co-housing unit; 1 per 1BD; 2 per 2BD	35,290	5 co-housing units; 7 1BDs; 23 2BDs Total units = 35	Co-housing = 2100; 1 BD = 650; 2 BD = 880	176
Dec. 2, 2008	120-182	225-275	93	34-41%	8 per co-housing unit; 1 per 1BD; 2 per 2BD	36,295(35,290 net livable sf.)	5 co-housing units; 7 1BDs; 23 2BDs Total units = 35	Co-housing = 2100; 1 BD = 650; 2 BD = 880	225-275
August, 2011	116	116	0	0%	?	?	?	?	?

Staff recommended the Applicant provide resources and information related to off-site housing opportunities for employees who are unable, due to on-site demand or lifestyle needs, to live on-site.

The following elements were required to be included in the revised Workforce Housing Plan:

1. Provide salary/hourly wages (2008 dollars) for the three categories of employees identified.
2. The expected number of each level of employee that is intended to be served by the employee on-site housing units.
3. Which employee category will be served by which type/size of units.
4. Provide information on anticipated rents (in 2008 dollars)

5. What units will be available and how will the pool of units available be determined.
6. What minimum standards will be used to determine employee eligibility to live in on-site housing; is full-time status required for on-site housing and what constitutes full-time status.
7. How will overflow of demand of units by employees be handled; will there be a priority system.
8. Provide information about rental rates or subsidized and/or free rent to employees; will utilities and access to on-site amenities be included in proposed rates.
9. Establishment of maximum occupancy per unit type (i.e. 2 persons per 1 bedroom unit).
10. Additional detail on dorm configuration and establishment of maximum number of persons per dorm. Staff is currently researching the utilization of dorms in other intermountain west resort towns which have established guidelines as a reference point.
11. Provide a matrix on breakdowns of the different types of units (1BD; square footage; total number of units; anticipated rent, etc.)
12. Create a priority for occupancy program of these units; (i.e. first availability employees that are full-time, secondly to seasonal employees, and third to persons that are verified to be working in the City of Ketchum. For dorms, some type of priority related to higher education, particularly Hospitality Programs.
13. Provide information on housing families (with children) and/or married couples

Staff recommended a minimum 250 net livable square footage of living area per person. This includes all conditioned square footage, yet excludes garages, outdoor public areas, hallways, storage and other common areas. Additionally, Staff recommended the Commission limit the amount of square footage that dorms are used to meet the on-site Workforce Housing Requirement to thirty-five (35) percent which is generally used to house mainly seasonal employee. While these seasonal employees are important to the overall efficiency and operation of the proposed hotel, providing adequate accommodations for the more permanent staff should take priority. Promotion and retention of year-round employees can be augmented through higher quality and accommodating living quarters that can ultimately mean more long-term housing.

The Council found that additional regulations regarding the development and operation of Workforce Housing should be as specified in the Development Agreement.

The November 12, 2008 Updated Submittal contained 142,800 square feet of “hot beds/keys.” The Applicant has described the demographics of the employees that will be housed on site as mid-level managers, singles, and married couples. Upper management and families are anticipated to live in outlying Wood River communities such as Ketchum, Hailey, and Bellevue. The average square feet of living space per employee housed on site is 379.

The income categories of the hotel employees were planned as follows:

Service Workers: \$8 - \$22/ hour; includes servers, dishwashers, housekeeping, front desk staff, administrative, and maintenance workers, etc. This component of employees will account for 86% of the resort staff.

Mid-level Management: \$45,000 - \$150,000/ annually; includes entry and mi-level managers, accounting for 9% of the resort staff.

Upper Management: \$85,000 – 250,000/ annually; includes senior management, division heads, general manager. This category of employee will account for 5% of the resort staff.

2008 Approved Work Force Housing Layout:

Buildings were placed around a courtyard area, screening the units from adjacent properties while reducing noise and light from the housing units. The floor plans submitted showed 44 units, however, the revised submittal states that there will be a total of 35 units (Table 2 of the November 3, 2008 Updated Submittal binder). The first floor of the building showed 13 units. The co-housing units are on the northwest side of the ground level. The ground level units on the east and south sides consist of 7 two-bedroom units and a single one-bedroom unit. The second floor of the building showed 18 units consisting of 10 two-bedroom units and 8 one-bedroom units. The third floor of the north workforce housing building showed a total of 13 units (9 one-bedroom units and 4 two-bedroom units).

The Commission found that the Applicant has provided a sufficient Employee Housing Plan, for this stage of the project proposal, which outlines the number of employees, income categories and other pertinent data. The Employee Housing Plan shall be the basis of the Applicant's proposal for a mix of employee housing which addresses the range of employees needed to serve the hotel.

The Council recommended that stringent design requirements, consistent with the BCHA design guidelines regarding the interiors of units, should be followed. These requirements should also conform to language in the Workforce Housing Plan and as referenced in the Development Agreements. The Council determined that the BCHA guidelines be used solely as a reference source and that external design requirements be determined by the Commission during the Design Review process.

f. The City Council may consider a request by the hotel developer to satisfy any required employee or community housing square footage by alternate means. Off site mitigation, payment of in lieu fees, land in lieu of units, voluntary real estate transfer fees or other considerations may be proposed by the hotel developer. Larger sites are encouraged to include workforce housing on-site. The City Council has full discretionary power to deny said request.

The 2008 Council decision on the PUD determined that employee and community housing square footage requirements were satisfied with the on-site employee housing and the revenue stream for community housing.

The July 25, 2011 letter from Ed Lawson requests the following amendments to the Annexation and Development Agreement:

Workforce Housing:

2.1 Section 13 (Workforce Housing) is deleted and the following is substituted therefore:

“If Owner applies for a building permit on or before June 1, 2014 to construct improvements as part of the Project, the Workforce Housing requirement under the City Code, is hereby unconditionally waived and the Owner shall have no obligation to provide said Workforce Housing or any portion of it. If Owner does not apply for a building permit by the stated deadline then in lieu of the Workforce Housing requirement under the City Code, Owner shall establish a dedicated Workforce Housing fund (“Fund”) with revenue derived from Owner’s Gross Sales (as defined below). The amount of revenue would be one-half of one percent (0.50%) of Gross Sales until \$250,000 was paid to the Fund. “Gross Sales” means the gross selling price of all merchandise or services sold, or delivered, in the ordinary course of business at the hotel (not including any other place of business). Whether for cash or on credit, except for the following: (i) the selling price of all merchandise returned by customers and accepted for full credit, or the amount of discounts, refunds, and allowances made on such merchandise, (ii) merchandise returned for or transferred to another store owned by or affiliated with Owner, (iii) gift certificates, or similar vouchers, until such time as they shall have been converted into a sale by redemption, (iv) sales and use taxes, and other similar taxed now or in the future imposed on the sale of merchandise or services, and (v) sales of real property, fixtures, equipment, or personal property that are not merchandise sold in the ordinary course of business at the hotel.

Owner shall furnish to City a statement of Gross Sales within fifteen (15) days after the end of each calendar quarter, and an annual statement of Gross Sales within twenty (20) days after the end of each calendar year. Each statement shall be signed by Owner or its authorized representative. Owner shall keep full and accurate books of account, records, cash receipts, and other pertinent data showing its Gross Sales. City shall be entitled within one (1) year after expiration or termination of a statement period to inspect and audit all of Owner’s books of account, records, cash receipts, and other pertinent data relating to Gross Sales, so City can ascertain Owner’s Gross Sales. Owner shall cooperate fully with City in making the inspection. If the audit shows that there is a deficiency in the payment of any moneys to the Fund, the deficiency shall become immediately due and payable. The costs of the audit shall be paid by City unless the audit shows that Owner understated Gross Sales by more than five percent (5%), in which case the Owner shall pay all costs of the audit. City shall keep any information gained from such statements, inspection or audit confidential and shall not disclose it other than to carry out the purposes of this Agreement.

The Fund would be maintained by Owner in a segregated account (“Workforce Housing Account”) and would be used solely to subsidize housing costs of eligible hotel employees (as defined below). “Eligible Employee” means _____. Upon presentation to Owner of a written application for housing assistance from an Eligible Employee Owner shall disburse from the Workforce Housing Account to the landlord, mortgagee or third party providing housing to the Eligible Employee up to \$, or % of said Eligible Employee’s housing costs.”

The applicant will verbally explain the change in market and development conditions that underlie this request. Concurrently, the City Council has initiated a policy discussion regarding hotel employee housing requirements. This discussion was initiated on July 18, 2011, and will be continued on September 6th. A summary of the key issues are as follows.

The above Employee Housing requirements (PUD standards d,e and f) were adopted in 2007, at a time when supply of affordable and employee housing was at an all-time low. The 2006 Housing Needs Assessment estimated a need for 1,400 housing units in the north valley by the year 2010 (demand included unfilled jobs, commuters and projected new jobs, 2006-2010). Hence, the City Council adopted a “supply-oriented” employee housing policy, focused on the requirement to create new housing to address the need generated by new employees.

WSRR is requesting to modify the “supply-based” employee housing policy, proposing a dedicated revenue stream earmarked specifically towards employee housing that would effectively buy down the rents on existing units. This approach would be a policy shift towards a “demand-based” model, with an underlying assumption that there is enough existing housing stock in the marketplace to absorb new employees.

The Blaine County Housing Authority (BCHA) is underway with an update to the 2006 Housing Needs Assessment. The new Assessment will provide guidance to the City as to where we sit on a supply/demand spectrum with regards to our existing housing stock and our employment base. A report on the findings of the study is planned for September 12, 2011. It is of interest to note that the last Housing Needs Assessment was developed at the peak of the local development boom, and that the 2011 Assessment will be at or near the trough. The new report will address market swings by the inclusion of an economic model that can be modified with new inputs to calibrate to market changes and economic conditions. This model will calculate housing demand as a function of wages, location, housing values, rents and capital markets. These inputs can be made by BCHA staff on an annual basis, or other term as determined by the BCHA Board and stakeholder groups such as the cities.

Staff recommended to the Council that no changes be made to the City’s adopted employee housing policy until the results of the 2011 Housing Needs Assessment are available. However, it is likely that the City will need to adopt a more flexible policy that allows the Council to determine the appropriate employee housing mitigation based on factors listed above. (Both the Commission and the Council have the authority to waive the above standards under the PUD process, based on findings.)

Below is a list of ideas that could be considered as modifications to the “supply based” employee housing policy in September after review of the Housing Needs Assessment.

- **No change- retain a “supply based” employee housing policy with the view that over the long term more supply will be needed**

Discussion: this is clearly the most pro-active housing policy, as it ensures new stock enters the marketplace to address need over time. Note that because the City only requires hotel developers to “house” 25% of their employees, this policy still relies on existing housing stock for 75% of the new

employees servicing the hotel. Commission and Council should expect significant push-back to a strict application of this policy in down markets, such as this one.

- **Require hotel developers to “buy down” existing housing stock by buying and permanently deed restricting the units to ensure their availability over the life of the housing stock.**

Discussion: in discussions with Karen Wikstrom, Wikstrom Economic and Planning Consultants, the consultant for BCHA on the new Housing Needs Assessment, permanent deed restriction of existing stock is the next best alternative to new stock. This approach guarantees affordability over the life of the housing stock. Age and condition of the housing need to be carefully considered. This could also be considered a “transaction-oriented” approach to mitigating employee housing. This approach is best executed in down markets, such as the current one.

- **Allow hotel developers to provide a revenue stream that would be applied specifically to their employees, either through rent reduction or the purchase of units for rent or ownership.**

This approach will likely be preferred by hotel developers, if the City policy allows the revenue stream to commence when the hotel is operational. This raises a significant issue: all experts suggest finding some way to take advantage of the current down market by securing housing stock now versus in 3 to 5 years. It is clear that a 12-24 month opportunity exists for affordable transactions that will likely not be available in the future. The Commission may want to brainstorm some ideas as to how to “front load” the revenue stream to accomplish this goal. Some ideas include bonding against a future revenue stream (BCHA and/or the City), working with local banks on Community Reinvestment Act funds to allow transactions to occur now; or, requiring developers to provide some portion of the revenue stream at the time of building permit or to back a loan for housing transactions at the time of building permit. (Note that this list is not exhaustive and has not been vetted as to feasibility at the time of the preparation of this staff report.)

- **Some combination of the above.**

As the Commission has seen through the hotel entitlement process, there may not be a one-size fits all approach to employee housing, and some combination of the above may be appropriate. In their initial discussion, the Council indicated that they believe some flexibility over the 2007 adopted language is in order, but with a goal of available cash within the next 12-24 months.

COMMISSION OPTIONS:

Make a motion to:

1. Deny the Request for Modification of Planned Unit Development (PUD) Approval and Amendment of Annexation and Development Agreement **because of the following standards** (Commission to insert reasons for denial) including findings;

or,

2. Approve the Request for Modification of Planned Unit Development (PUD) Approval and Amendment of Annexation and Development Agreement subject to conditions.
3. Continue this application to a date certain with specific direction to staff regarding conditions of approval related to Active Recreation and Employee Housing.