Special Joint Meeting

April 17, 2025
9:00 AM - 12:00 PM
Town Council Chambers
Chair: Arne Jorgensen

NOTICE: THE VIDEO AND AUDIO FOR THIS MEETING ARE STREAMED TO THE PUBLIC VIA THE INTERNET AND MOBILE DEVICES WITH VIEWS THAT ENCOMPASS ALL AREAS, PARTICIPANTS AND AUDIENCE MEMBERS. PLEASE SILENCE ALL ELECTRONIC DEVICES DURING THE MEETING.

I. ZOOM LINK FOR PUBLIC PARTICIPATION

The Town and County reserve the right to close Public Comment via Zoom at any time. In-person comment will continue to be taken and written comments can always be submitted to Town Council by emailing electedofficials@jacksonwy.gov and to County Commissioners by emailing commissioners@tetoncountywy.gov.

To join, click link or copy it to your browser: https://us02web.zoom.us/j/87268005362?pwd=XsNa8voe3ur77lRV9iGKyuEUNyas5h.1

Or join at zoom.com with Webinar ID: **872 6800 5362** and Password: **83001** or by phone: **+1 669 900 9128**

II. CALL TO ORDER AND ROLL CALL

III. DISCUSSION/ACTION ITEMS

A. 90 Virginian Lane Development Update (April Norton)

IV. ADJOURN

Please note that at any point during the meeting, the Chair or Mayor may change the order of items listed on this agenda. In order to ensure that you are present at the time your item of interest is discussed, please join the meeting at the beginning to hear any changes to the schedule or agenda.

BOARD OF COUNTY COMMISSIONERS

TOWN COUNCIL

MONTHLY JOINT MEETING

AGENDA DOCUMENTATION

SUBMITTING DEPARTMENT: Joint Housing **PRESENTER**: April Norton, Housing Director

MEETING DATE: April 17, 2025

SUBJECT: **90 Virginian Lane Development Update – Informational Only**

STATEMENT/PURPOSE

The Teton County Board of Commissioners ("Board") and Jackson Town Council ("Council") will hear an update from Pennrose, LLC on the 90 Virginian Lane development in preparation for design and funding decisions to be requested at the May MJM.

BACKGROUND/ALTERNATIVES

This is the 16th meeting at which the Council and Board will discuss the 90 Virginian Lane affordable workforce housing development. At this meeting, the joint boards will hear an update on the development, including new information related to construction costs, market study guidance, and next steps. This meeting is intended to be informational only; Board and Council are not being asked to make any decisions today.

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90 Virginian Lane is a 5.15-acre parcel of land located within the largest Complete Neighborhood: The Town of Jackson. It is currently zoned Neighborhood High ("NH-1") and is one of the few large, mostly vacant parcels of land that is appropriately zoned for affordable workforce housing. During four Joint Meetings (May 15, 2023; June 14, 2023; July 10, 2023; and July 17, 2023) the Board and Council directed and authorized the Jackson/Teton County Housing Authority ("JTCHA") to buy the property for future affordable workforce housing development. The transaction closed August 1, 2023.

On August 7, 2023; September 11, 2023; October 2, 2023; and November 6, 2023 Board and Council provided staff with direction preparing the Request for Proposals for a development partner at 90 Virginian Lane. This included specific direction on the scoring criteria, desired project densities and affordability, sustainable design program, and financing. The Council voted 5-0 and the Board voted 4-0 to approve the RFP and directed staff to release it. (Commissioner Macker was absent from the meeting and did not vote.)

On November 8, 2023, the RFP was released with a response due date of February 2, 2024. 11 responses to the RFP were received. These are posted to the Housing Department website.

On February 14 & 15, 2024, the Housing Supply Board reviewed the responses and identified four firms to interview in person (shaded in green above). On March 6, 2024, the Housing Supply Board interviewed Corum, Elmington, Pennrose, and Ulysses. A recording of the interviews is provided on the Housing Department's website. On March 20, 2024, the Housing Supply Board held a Special Meeting at which they identified Pennrose as their leading candidate to develop the property.

On May 6, 2024, Board and Council considered potential partners for the development of the site; the Board continued the item, and the Council approved the following motion:

> *To direct and authorize the Housing Authority to direct staff to negotiate a Ground Lease and Development Agreement including the agreed upon internal procedures and negotiation topics with both Pennrose Development and Elmington Affordables, LLC for affordable workforce housing located at 90 Virginian Lane and*

to bring these documents and the results of the negotiations back to the Council and Board for consideration at a future meeting.

On May 21, 2024, the Board approved the following motion:

To recommend to the Housing Department to negotiate a Ground Lease with Pennrose Development recognizing the 16 points that were made earlier at the Joint Information Meeting with the Town as well as points made during the BCC discussion today.

On June 3, 2024, Council approved the following motion:

To direct and authorize staff to negotiate a Ground Lease and Development Agreement including the agreed upon internal procedures and negotiation topics with Pennrose Development for affordable workforce housing located at 90 Virginian Lane and to bring these documents and the results of the negotiations back to the Council and Board for consideration at a future meeting.

On August 5, 2024, Staff provided an update on the development, including the 15 negotiation topics identified by the Council and Board. The Council and Board then asked staff to bring back additional information related to the development.

On October 7, 2024, Staff provided responses to additional questions posted by the Council and Board and draft terms for the Ground Lease with Pennrose for 90 Virginian Lane. The Council and Board approved the terms laid forth during that meeting and directed staff to draft a Ground Lease for consideration for 90 Virginian Lane.

On December 2, 2024, the Board and Council directed and authorized the Housing Authority to enter into a Ground Lease Option Agreement that outlined necessary criteria for Pennrose to meet prior to the execution of the Ground Leases for the property. These criteria are as follows: 1) a Development Agreement for 90 Virginian Lane must be executed by the developer and Housing Authority; 2) Pennrose will have completed the Subdivision, dividing the parcel into at least two parcels – one for rental homes and one for ownership homes; and 3) Pennrose will have commitments for financing that are sufficient for the construction of the development consistent with the Development Agreement.

On December 10, 2024, the Board and Council directed and authorized the Housing Authority to execute the 2025 Season Ground Lease for RV Park Operations with the Virginian RV Park LLC so that the RV park may stay open this summer and the Housing Authority can earn revenue from its operations.

On February 3, 2025, the Board and Council directed staff to draft a development agreement for 90 Virginian Lane and to bring the development agreement back to the joint board for consideration at a future meeting.

Since the February 3 meeting, staff have been working directly with Pennrose to evaluate the market study findings, consider impacts of global market uncertainty, and define decision points remaining for Council and Board consideration prior to Development Agreement.

During today's meeting, Pennrose will present an update on the project and answer questions from Council and Board.

The agenda will cover the following:

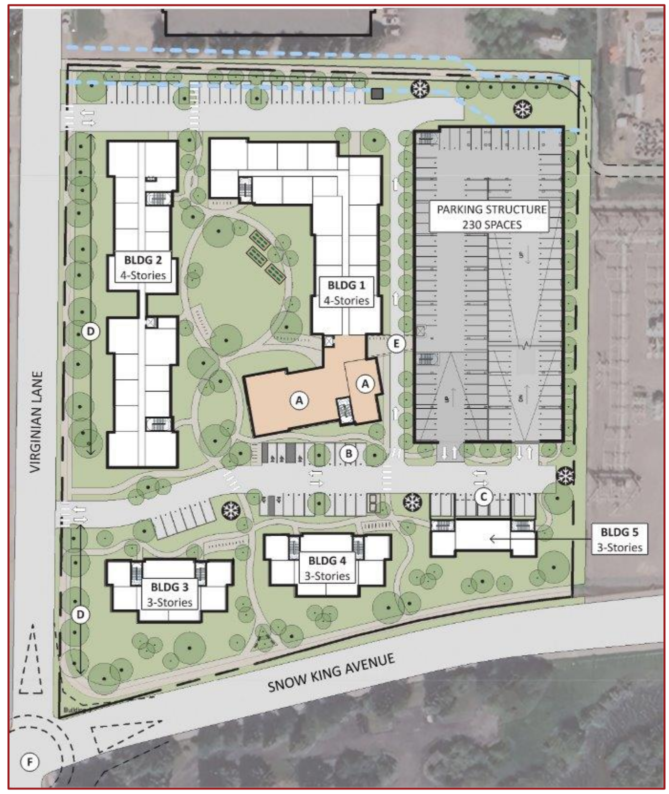
1. Design Recap.
2. Year one project update – from RFP to today, what conditions have changed?
3. Recommendations.
4. Next Steps.

Design recap. February 2024 (RFP) site design compared to February 2025 site design.

February 2024 RFP Response

226 Homes – 156 Rental & 70 Ownership
30 Affordable 0-80% MFI
30 Affordable 80-120% MFI
136 Affordable 120-160% MFI
30 Workforce
Total construction cost estimate: $156 million

February 2025 Revision with increased, central open space + parking garage



211 Homes – 148 Rental & 63 Ownership
30 Affordable 0-80% MFI
30 Affordable 80-120% MFI
121 Affordable 120-160% MFI
30 Workforce
Total construction cost estimate: $172.5 million

Year one project update – from RFP to today what conditions have changed?

<u>Market study findings and impacts to proforma.</u>

- Achievable rents for Affordable 120-160% are lower – closer to 110%.
    - Rent rates are set at the low end of the income range. So for the Affordable 120-160% income range, rents are set at 30% of 120% MFI.
- Achievable rents for Workforce are lower – closer to 120%.
    - Workforce rent rates do not have a cap and can be rented at whatever rate the market will allow so long as the rental home is not left vacant for more than 60 days per year.
- Achievable 1-bedroom sale price for Affordable 120-160% about 13% lower than maximum allowed price.
    - Sales prices are set at the midrange for the income range. So for the Affordable 120-160% income range, sales prices are set at 140% MFI.
- Less revenue from rents and sales reduces project sources (equity and debt).

<u>Changes to construction cost estimates based on updated numbers from Shaw Construction, contingencies related to tariffs, etc.</u>

- Increases to construction cost estimates increase project uses (hard costs). These include increased estimates to account for current market volatility (tariffs).

Recommendations: Reduce costs & pursue additional funding sources to fill the funding gap.

Begin value engineering with design and construction team.

A known key decision point is to retain or remove the proposed parking garage. Other value engineering opportunities will likely arise as we go further into schematic design.

- Removing the garage to accommodate more surface and tuck-under parking will **cut about $10 million from the construction budget** but results in changes to the site plan including a significant increase in surface parking and a reduction of the central green space.
- It will also allow us to add 25 more homes back into the neighborhood, increasing revenues. **Total homes = 226.**

Pursue sale of rights of first purchase or rental which would bring in additional funding for the project.

The RFP allows the developer to sell first rights on up to 40% of all homes in the development (40% of 226 = 90 homes). Typically, an employer will purchase a first right of rental or purchase as part of their employee housing strategy. In the past, these rights have been sold for $250,000 to $350,000 each. A study is underway to evaluate market demand for rights of first purchase/rental and will be used to inform this development as well as future opportunities. Study completion: May 2025

Pursue additional funding sources

Pennrose and Housing staff will continue pursuing possible Federal and state or local funding resources like the Greenhouse Gas Reduction Fund, local sustainability funding, infrastructure funding / block grant funding, philanthropy, etc.

Achievable rents analysis updates

The market study findings reflect a point in time. As the market changes during the course of this development, achievable rents may also change. Should the study findings reflect increases in achievable rents, the funding gap will be reduced.

If the current achievable rent analysis persists, then we may consider investing in permanent increased affordability. This could include moving all homes that are in the 120-160% MFI category to a more affordable income range (around 110-160% MFI). This recommendation is based on what the market study tells us are achievable rents and sales prices at this point in time. Increasing affordability would require additional funding for the project (could be public investment, sale of first rights of rental/purchase, etc.). An exact value will be included in the Development Agreement as well as measures for recompense should continual updates to the market study indicate higher achievable rents for these income ranges.

Phase financing and construction strategically to reduce capitalized interest.

This may include a “phase 0” that is just horizontal infrastructure funded with public investment only, thus removing the interest carry on that portion of the project for future phases.

Reduce operating expenses.

This includes pursuing a property tax exemption for the Affordable rental homes, refining insurance cost assumptions, and right-sizing the staffing plan for the neighborhood.

Next Steps

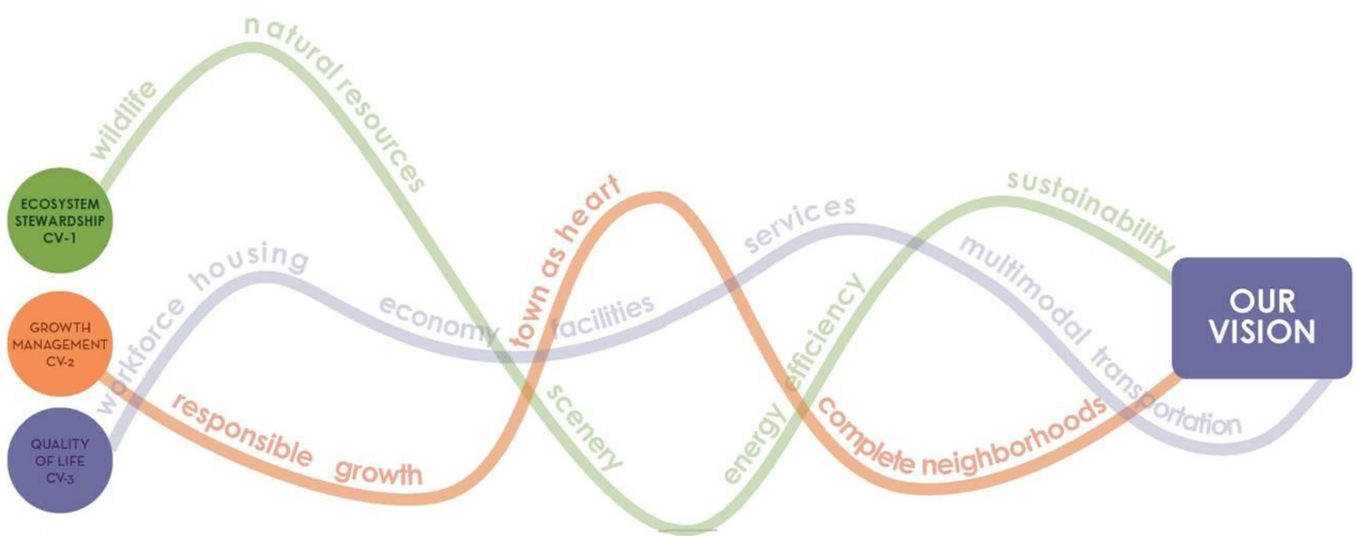
- Advance Schematic Design: building detail on design, entitlement, and cost estimating. May – July 2025.
- Pursue additional sources of funding and refine cost assumptions. Ongoing.
- Finalize Development Agreement and Financing Agreement. Extension to August or September 2025.
- Development Option Plan application preparation, Town of Jackson interdepartmental review and Planning Director decision. August – December 2025.
- Groundbreaking. Spring/Summer 2026. Deployment of public investment dollars – amount to be determined – to coincide with this step.
- Completion of first homes for local families and individuals. 2028.
- Discussion / Questions

At the May Joint Meeting, Council and Board will be asked to provide direction on a few key items, plus any additional items that may come up during today's presentation and discussion.

1. Parking. Should we remove the parking garage to reduce construction costs and increase the number of homes available through increasing surface parking and reducing the central green space?
2. Schematic Design Cost-Sharing. As project partners, should we share the costs of Schematic Design 1:1 with Pennrose? These are estimated not to exceed $500,000 (so, public investment not-to-exceed $250,000)? By going into the next level of design detail, we will be better able to refine construction plans, timing, and costs.
3. Increased affordability: Do we agree to move all 120-160% homes to 110% MFI range and Workforce homes to 115% MFI range (exact % MFI to be determined), unless future market study indicates an increase in achievable rents and sales prices? This will require additional revenues for the project that may be raised through the sale of rights of first rental or purchase or with additional public funding.
4. Are the Town and/or County willing to further subsidize this new neighborhood?
5. Any other issues that arise during this meeting.

COMPREHENSIVE PLAN ALIGNMENT

The Jackson/Teton County Comprehensive Plan is predicated on three equally important Common Values for us to live within our shared community Vision: Ecosystem Stewardship, Growth Management, and Quality of Life. Just as the strength of a rope depends on the integrity of each intertwining thread, the strength of our community character is derived from a commitment to all three Common Values, each in support of and reliant upon the others.



Common Value: Quality of Life

The Comprehensive Plan sets a minimum goal of achieving a 65% resident workforce. Building on this goal, the Workforce Housing Action Plan set forth strategies for increasing our resident workforce that include location for growth, a focus on public-private partnerships, and updating land development regulations to incentivize affordable workforce housing development by the private sector.

The future neighborhood at 90 Virginian Lane is an example of a public-private partnership, leveraging private sector expertise, while mitigating public risk; and utilizes LDR incentives for affordable workforce housing development.

Common Value: Ecosystem Stewardship
The Comprehensive Plan also sets a goal to direct at least 60% of all new residential development into Complete Neighborhoods to preserve habitat, scenery, and open space and provide workforce housing opportunities. Since Housing Action Plan implementation and including changes to the Land Development Regulations that incentivize affordable workforce housing production in the Town of Jackson, the percentage of new development built in Complete Neighborhoods has exceeded the 60% minimum threshold. By placing development in the center of Town, the 90 Virginian Lane development accomplishes our goal of concentrating new development in Complete Neighborhoods.

The Comprehensive Plan sets a goal to emit less greenhouse gases ("GHG") than we did in 2012. Surface travel accounts for most of the GHG Emissions created locally. **By placing households close to their jobs, local convenience, recreational amenities, and providing them with opportunities to use alternative modes of transportation like the bus or biking, the 90 Virginian Lane development will positively impact GHG Emissions.**

Common Value: Growth Management
The Comprehensive Plan sets a cap on new residential units that can be built. We currently have about 550 pooled residential bonus units remaining to be assigned to future developments. **The 90 Virginian Lane Neighborhood accomplishes our Comprehensive Plan goals related to growth management by effectively using the remaining pooled units for 100% permanently deed restricted affordable workforce housing in a high-density residential zone located in a Transitional Subarea** (as opposed to using the units for unrestricted, free market homes located outside a Complete Neighborhood).

Achieving our Vision
Ultimately, by providing housing opportunities like 90 Virginian Lane that support a resident workforce, **we are protecting local working families; providing for a stable tax base; creating neighborhood accountability; increasing civic, social, and economic investment; limiting commuters on our roads; and protecting our open spaces and scenic vistas.** We are achieving the vision laid forth in our Comprehensive Plan.

Comprehensive Plan Policy:

- Reduce greenhouse gas emissions through land use. 2.2.
- Reduce greenhouse gas emissions through transportation. 2.3.
- Emphasize a variety of housing types. 3.2.d
- Emphasize a variety of housing types, including deed-restricted housing. 4.1.b
- Create and develop Transitional Subareas. 4.3.b
- House at least 65% of the workforce locally. 5.1.a
- Focus housing subsidies on full-time, year-round workers. 5.1.b
- Provide a variety of housing options. 5.2.a
- Housing will be consistent with Character Districts. 5.2.b
- Create workforce housing to address remaining shortages. 5.3.c
- Direct at least 60% of all new residential development into Complete Neighborhoods. Common Value 3.

Housing Action Plan Strategy:

- Provide land as a public subsidy and build development partnerships. 2B

STAKEHOLDER ANALYSIS
Teton County community members, businesses, and visitors.

FISCAL IMPACT

In 2023, the Housing Authority purchased the land for $28 million. This purchase was funded utilizing $18 million in tax-exempt bond financing (to be paid by with 2022 SPET funds) + $2.59 million 2019 SPET funding + $5.5 million County mitigation funding + $2 million Town housing funding (blend of mitigation fees and housing supply funds).

In 2024, the Housing Authority entered into an agreement with the Virginian RV Park LLC to operate the RV park for 2025 for a flat fee of $500,000 that is payable to the Housing Authority. These funds will be placed in the Housing Authority's Housing Supply Fund.

The Housing Authority is responsible for paying property taxes on the property. For 2024 these were $55,854.63 and in 2025 they are $93,224.00.

In addition to lease of the land, The Town and County have agreed to provide an additional $10 million to fund the development, as presented and requested in Pennrose's development proposal.

Considering this $10 million public subsidy and any additional subsidy that may be considered, staff is providing the following summary of housing-specific fiscal balances:

Town Housing Accounts	Current Balance	FY 2026 Budget
Mitigation Fees	$1,300,000	$1,400,000
General Funds for Community Housing Supply	$3,200,000	$1,000,000
Total = $6.9 million	**$4,500,000**	**$2,400,000**
2022 Employee Housing SPET - $10 million total	Current Balance	FY 2026 Budget
	$0	$2,700,000

- The Town has a current balance of $4.5 million in its housing fund. This includes $1.3 million in housing mitigation fees and $3.2 million in general funds allocated to the Housing Supply Program. Planning staff estimate that the Town will collect an additional $1.4 million in housing mitigation fees in FY 2026. (Total with FY 26 estimates = $5.9 million, not including FY 26 capital request of $1 million for the Housing Supply Program.)
- The Town also has access to 2022 SPET funding for employee housing in the amount of $10 million. The Town is set to receive $2.7 million of these funds in FY 2026.

County Housing Accounts	Current Balance	FY 2026 Budget
Mitigation Fees	$1,200,000	$1,400,000
General Funds for Community Housing Supply	$0	$0
Total = $2.6 million	**$1,200,000**	**$1,400,000**
2022 Employee Housing SPET - $10 million total	Current Balance	FY 2026 Budget
	$0	$2,700,000

- The County has a current balance of $1.2 million in its housing fund. This includes $1.2 million in housing mitigation fees and $0 in general funds allocated to the Housing Supply Program. County planning staff estimate that the County will collect an additional $1.4 million in housing mitigation fees in FY 2026. (Total with FY 26 estimates = $2.6 million, not including FY 26 capital request of $1 million for the Housing Supply Program.)
- The County also has access to 2022 SPET funding for employee housing in the amount of $10 million. The County is set to receive $2.7 million of these funds in FY 2026.

Housing Authority Unallocated Supply Accounts	Current Balance	FY 2026 Budget
Housing Supply - Unallocated	$500,000	$1,000,000
Total = $1.5 million	**$500,000**	**$1,000,000**

- The Housing Authority currently holds $500,000 in unallocated funding in its Housing Supply Fund that could be used for this development.

Total Funding Available	Current Balance	FY 2026 Budget
Town + County + Housing Authority	$6,200,000	$4,800,000
Town + County Employee Housing SPET	$0	$5,400,000

Total = $16,400,000	**$6,200,000**	**$10,200,000**

- Total funding currently available = $6.2 million
- Additional funding available by end of FY26 (June 2026) = $10.2 million – this include $2.7 million / each in employee housing SPET (leaving both Town and County with $7.3 million each for employee housing)
- Total funding available by June 2026 = $16.4 million – this includes $2.7 million / each in employee housing SPET

The timing of any additional contributions to the 90 Virginian Lane development will vary based on decisions made regarding implementation of a Phase 0 (horizontal infrastructure only), increased affordability, value engineering, etc. and could be phased over time to allow for additional mitigation fee collections, SPET collections, grant funding, philanthropy, etc.

STAFF IMPACT
Housing staff have spent hundreds of hours working on this development.

LEGAL REVIEW

ATTACHMENTS
None.

RECOMMENDATION
No recommendation at this time.

SUGGESTED MOTION
No motion necessary at this time.