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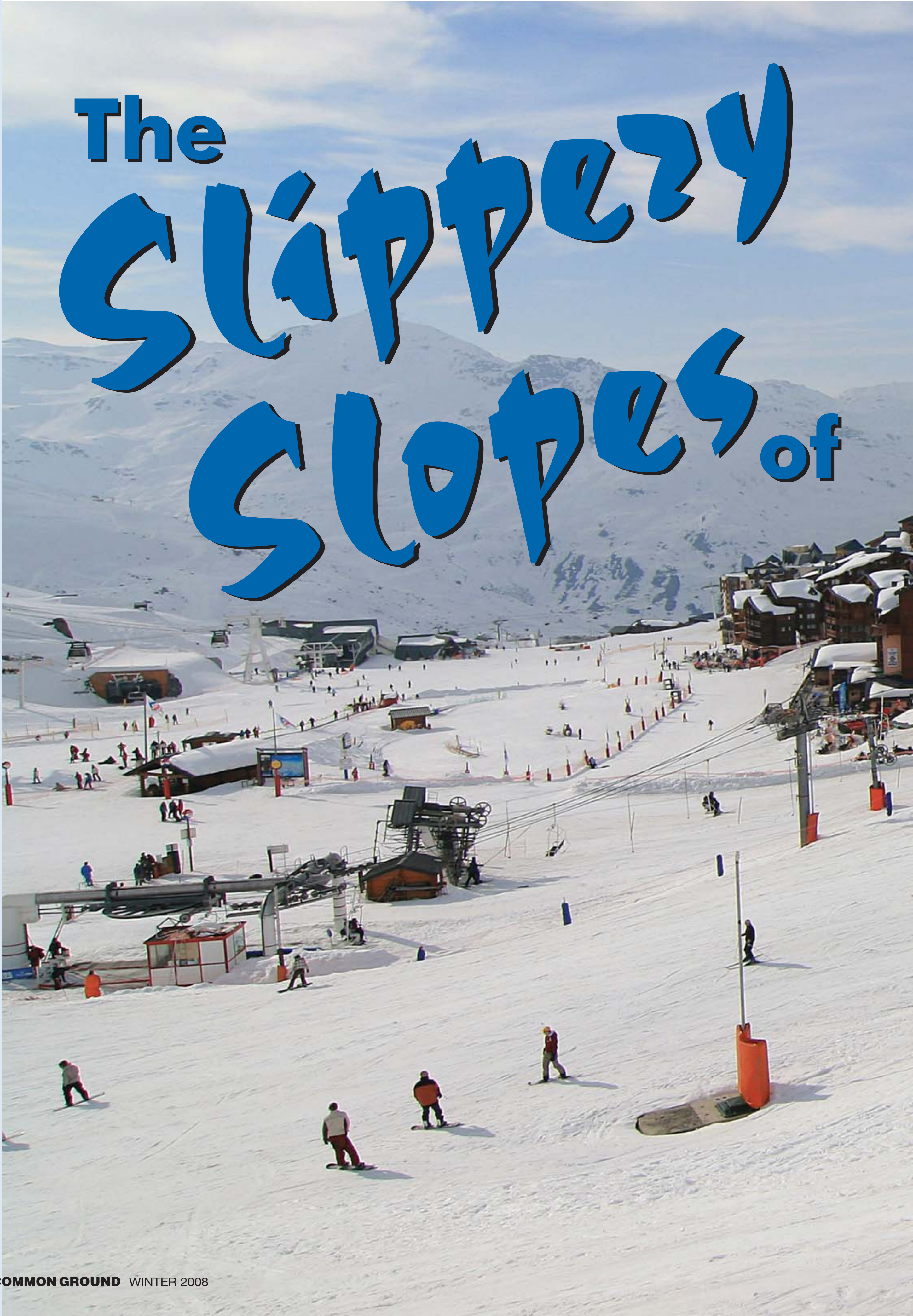

Affordable Employee Housing

Resort areas are searching for creative solutions to employee housing concerns

By John Van Gieson

From Maui to Martha's Vineyard to the slopes of Aspen and Vail, resort areas across the country are struggling with the issue of affordable housing for their workers. The housing crunch, fueled by escalating housing prices in resort areas, affects both seasonal workers seeking temporary apartments and year-round residents, many of them local government employees, who can't find a home they can afford.

Nantucket, Massachusetts affordable housing for island employees.

The booming market for high-end homes is raising the price of all housing in resort areas.

"We're way behind the eight ball," said Tom McCabe, executive director of the Aspen/Pitkin County Housing Authority in Colorado.

When it comes to worker housing, resort areas are a victim of their own success. They are attractive communities typically located in scenic-mountain and coastal settings, and high-end homebuyers want a piece of the action, if only part-time. Housing officials grappling with the problem in Rocky Mountain ski resorts say a booming second-home market is devastating the affordable housing market in the towns they serve.

"The problem is really caused by the second-home market in the town of Mammoth Lakes, and in the last 10 years it has skyrocketed, which essentially squeezed our middle class workforce into a situation where there was a big housing shortage," said Pam Hennarty, housing director for the town of Mammoth Lakes, a popular ski resort in California's Eastern Sierra mountains.

The booming market for high-end homes is raising the price of all housing in resort areas and forcing many workers to move further away in search of a home they can afford. In the Rockies, they call it "down valley syndrome"—the resorts are on the high end of the valley so the workers move down valley in search of affordable housing, leading to longer commutes in hazardous winter weather. The problem is, housing officials say, higher housing prices follow the workers down the valley.

In Nantucket, a summer resort island 30 miles off the southern coast of Massachusetts, the average home sells for about $2 million and the median income is $81,900. "Workers seeking affordable housing, some of whom were born and raised on the island, take a look at those price tags and say, 'You know, I'll never be able to afford a house here, so I'm leaving,'" said Aaron Marcavitch, executive director of the Nantucket Housing Office.

Dennis Gazaille, owner of the Marine Home Center, a popular multi-purpose Nantucket store, actually provides an air ferry for about one-third of his workers, who commute to their jobs from the mainland. "I need workers or I can't open my store in the morning," he said. "In addition to flying 35 people a day, we also have apartment rental units that accommodate 30 workers. You do what you have to do."

Resort communities are implementing a wide variety of potential solutions to the resort housing crunch—although few are as creative as Air Gazaille. The range of affordable housing options in resort areas includes:

- Passing inclusionary housing ordinances requiring developers to provide a certain

percentage of affordable units as a condition for building market-rate homes, condos and apartments. In Maui, for example, developers are required to provide up to one affordable unit for every two market-rate units.

- Linking the production of affordable housing to new construction in other ways. The town of Vail, Colo., uses a formula providing for a certain square footage of affordable housing with different standards for different kinds of projects. REALTORS® oppose the Vail ordinance, saying it imposes unfair burdens on the expansion of real estate offices.
- Levying transfer taxes on the sale of expensive homes with the revenue paying for affordable housing programs. Aspen approved a 1 percent transfer tax in 1990, which raises $11 million a year for worker housing. Developers rebelled, however, and Colorado voters passed a constitutional amendment in 1992 that bans transfer taxes in other communities. Aspen was grandfathered in. Local officials in Nantucket and Martha's Vineyard are asking the Massachusetts Legislature to increase their transfer taxes on expensive homes to raise several million dollars for worker housing programs.
- Reserving all or part of the revenue from other taxes and fees to pay for affordable housing. In 2006, Honolulu voters passed a referendum requiring the city to dedicate 1 percent of sales tax revenue to affordable housing.
- Rounding up state and federal grants and other funds to pay for affordable housing. The town of Mammoth Lakes has procured $14 million in state and federal grants to help pay for $47 million in development and loan programs that will provide for more than 250 worker housing units.

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- Requiring resorts to pay housing subsidies to their lower-income workers. The city of Dana Point, Calif., has required the new St. Regis Emerald Point Resort to pay workers' housing subsidies averaging $210 a month.
- Encouraging resorts such as ski areas to provide affordable housing for their seasonal workers. Mammoth Mountain ski area advises job applicants on its Web site that "Our current inventory of more than 600 beds offers a wide variety of comfortable and inexpensive housing within the town of Mammoth Lakes."

Resort communities have turned to many different options in their struggle to provide affordable housing for local and seasonal workers, but housing advocates say they still have a long way to go.

"I would say it's pretty bad," said Jo-Anne Ridao, the housing commissioner for Hawaii's Maui County. "We know that there are a lot of families that are housing two or three generations in a house because they can't afford to buy a house."

In Aspen, where the median sales price for a home is $5.2 million, McCabe said local workers seeking affordable housing "are all up against the wall. I would believe that this year we're not going to have the workers we need. I really believe it translates into service cutbacks somewhere."

Local officials at Hilton Head, a barrier island resort community in South Carolina, have been talking about scrapping their affordable housing plan, which has produced 61 worker housing units. As often happens with affordable housing ordinances, buyers had to accept deed restrictions limiting their ability to sell their homes. Due to protests from the residents, the town of Hilton Head has eased the deed restrictions and is considering doing away with them altogether.

Compounding the problem of providing affordable housing to workers in resort areas is resistance by developers, business owners and residents to the solutions implemented by local government officials. A Canadian condominium developer filed suit in Hawaii to overturn Maui's inclusionary housing ordinance after local officials denied its appeal of affordable housing requirements on two proposed South Maui condo projects.

In Anaheim, Calif., home of the Disneyland Resorts, the local chamber of commerce and Disney are at war with local officials and housing advocates over a zoning change allowing the construction of a large development, including affordable housing, in the Resort District adjacent to Disney and reserved for tourism-related businesses.

Orange County, where Anaheim is located, has been identified by the NATIONAL ASSOCIATION OF REALTORS® as the third most expensive housing market in the country. Worker housing advocates say the Anaheim area needs 27,000 additional affordable housing units to provide housing for low-wage workers at Disney and other places.

The city council set off a firestorm earlier this year when it voted 3-2 to allow a 1,500-unit development, with 300 units earmarked for affordable worker housing, in the Resort District. Disney and the chamber formed a political committee called Save Our Anaheim Resort (SOAR) that successfully circulated petitions putting a referendum to overturn the proposed project on the ballot next June. Not to be outdone, the Council majority has instructed staff to draft a referendum that would require voter approval before Disney can build another theme park in Anaheim.

"They tried to make this a resort housing issue, but it's really not a resort housing issue," said SOAR Spokeswoman Annette McCluskey. She said the condo project would be built on a 26-acre site occupied by two mobile home parks that were grandfathered in when the Resort District was created. "There would not be a net gain in affordable housing."

Honua'ula, a proposed 1,400-unit development with 700 affordable units for workers located on Maui's south shore, has run into vehement opposition from Save Makena, a local environmental group. Save Makena has turned out dozens of protesters to fight the development at Maui County Council Land Use Committee meetings.

In Vail, Colo., REALTORS® oppose a local affordable housing law that requires high-density, mixed-use developers to set aside 20 percent of the units for worker housing, but requires real estate offices to provide 2.5 bedrooms of affordable housing per 1,000 square feet of real estate office construction.

"Right now it's impossible to build new real estate offices in the town of Vail," said Asher Maslan, president of the Vail Board of REALTORS®. "The goal is to have 100 percent of Vail employees

Resort communities have turned to many different options in their struggle to provide affordable housing for local and seasonal workers.

living within the town of Vail by 2014. It might be a noble cause, but we believe it's impossible to achieve because in lieu of creating affordable housing, you can also pay the town $369 per square foot" to buy land outside of town for affordable housing projects.

Maslan said the penalty has little impact on developers because construction in Vail typically costs $700 to $1,000 a square foot and has gone as high as $3,200.

Whatever the future holds for these resorts, one thing is certain. Affordable housing must be a priority. The resorts are a beautiful place to work, but how do you afford to live there?

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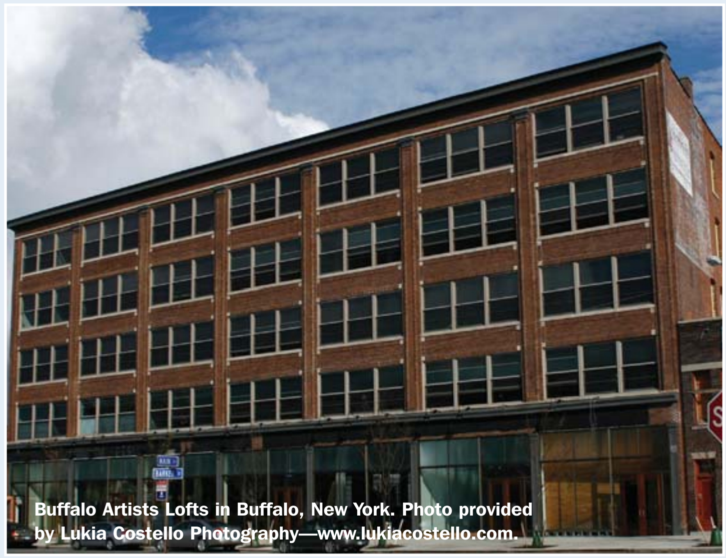
A PALETTE OF AFFORDABLE HOUSING

Lukia Costello, a photographer in Buffalo, N.Y., is part of an exciting new program for artists: She lives and works in an old factory converted to live/work lofts for artists.

Costello used to live in a cramped apartment in the suburbs where she was constantly banging into things when she was working on her photographs. Her move to Buffalo Artist Lofts was a dream come true.

"I have more than enough space now," Costello said. "It's like a New York City loft apartment, 950 square feet, 14-foot ceilings, the front wall is all windows with a nice view. I have the space to work and the space to think. Wherever I look I can see my work on the walls, and it's inspiring."



Buffalo Artists Lofts in Buffalo, New York. Photo provided by Lukia Costello Photography—www.lukiacostello.com.

Costello, who works part-time teaching Microsoft Office to make ends meet while she pursues a career as an artist, pays $474 a month for her loft.

Buffalo Artists Lofts was developed by Artspace Project, a Minneapolis, Minn., nonprofit dedicated to renovating old buildings to provide live/work spaces for artists. Artspace has developed 20 projects around the country and has 16 others in various stages of development, said Roy Close, director of resource development.

The organization has developed work/live projects for artists in cities as large as Chicago and as small as Fergus Falls, Minn., population 14,000. Artspace typically renovates old factories and warehouses near the city center. The Buffalo building was constructed in 1911 as an electric car factory and housed a printing company for many years.

The Minneapolis City Council created Artspace in 1978 as a referral service for artists seeking affordable housing. It went nonprofit a year later and decided in 1987 that its real mission was to develop affordable housing projects where artists could live and work. The organization works in partnership with local agencies or organizations that seek its help.

"We get a lot of calls, generally from civic agencies, redevelopment groups or economic development groups," Close said. "We send in a consulting team and recommend that the local organization commission a market survey to see if a sufficient number of artists are interested. Projects typically take three to five years."

Projects can be expensive, running into the $15 million to $25 million range. Close said the first source of funding for Artspace projects is low-income housing credits. "We sell tax credits to companies that use them to reduce their tax burden," he said.

Other funding sources include foundations, historic preservation tax breaks and credits, community development, local government and private fundraising in the community.

"It's an established fact that these kinds of projects can really have a dramatic economic benefit in certain kinds of neighborhoods," Close said.

The Tashiro-Kaplan Artists Lofts project, featuring 40,000 square feet of live/work lofts, studios and businesses, was developed in a seedy area of Seattle.

"When I started this project I knew we needed long-term affordable housing for artists and the creative community," said Cathryn Vandenbrink, Artspace regional director in Seattle. "What I didn't realize was a need there for affordable commercial space as well. It is a very tough neighborhood and this project has brought a feeling of safety to residents of the neighborhood that has spread on the surrounding streets."

"It has just been unbelievable, the activity that has come from this little corner of the neighborhood that used to be empty and barren," she said.

Another benefit of the Artspace projects is that they create a community of artists who learn from each other. "I like the community of other artists," Costello said. "I find it very inspiring."