# Town of Eagle Affordable Housing Funding Strategy

## Eagle AHAP Project

## April 2025

Prepared for: Town of Eagle, CO

Western Spaces, LLC

SERVITAS

INTENTIONAL BLANK PAGE

# Table of Contents

# Executive Summary: Town of Eagle Affordable Housing Funding Strategy

The Town of Eagle faces a growing workforce housing shortage that threatens both its economic stability and community character. This strategy outlines a financially sustainable approach to increasing the supply of workforce housing through targeted use of public-private partnerships, creative capital stacking, and risk management tools.

Eagle's high construction costs, limited land availability, and widening affordability gap reflect broader challenges across Colorado's mountain communities. This plan identifies a "middle ground" approach—neither fully market-driven nor entirely subsidized—where public investment leverages private capital to create housing accessible to a range of income levels.

Key Financial Strategies:

- Funding Sources include Proposition 123, Eagle County's $50 million workforce housing fund, inclusionary housing fees, and the potential reallocation of short-term rental tax revenue.
- Development Approaches focus on blended models that combine public and private resources, including structured public-private partnerships that balance affordability and feasibility.
- Risk Management Tools such as modular construction, phased delivery, fixed financing terms, and flexible income targeting are integrated to improve financial stability.

Implementation will require close collaboration between the Town of Eagle, Eagle County Housing and Development Authority, private developers, major employers, and community stakeholders. By working together and leveraging the funding mechanisms and partnership models outlined in this strategy, Eagle can create a workforce housing ecosystem that strengthens its community and economy for generations to come.

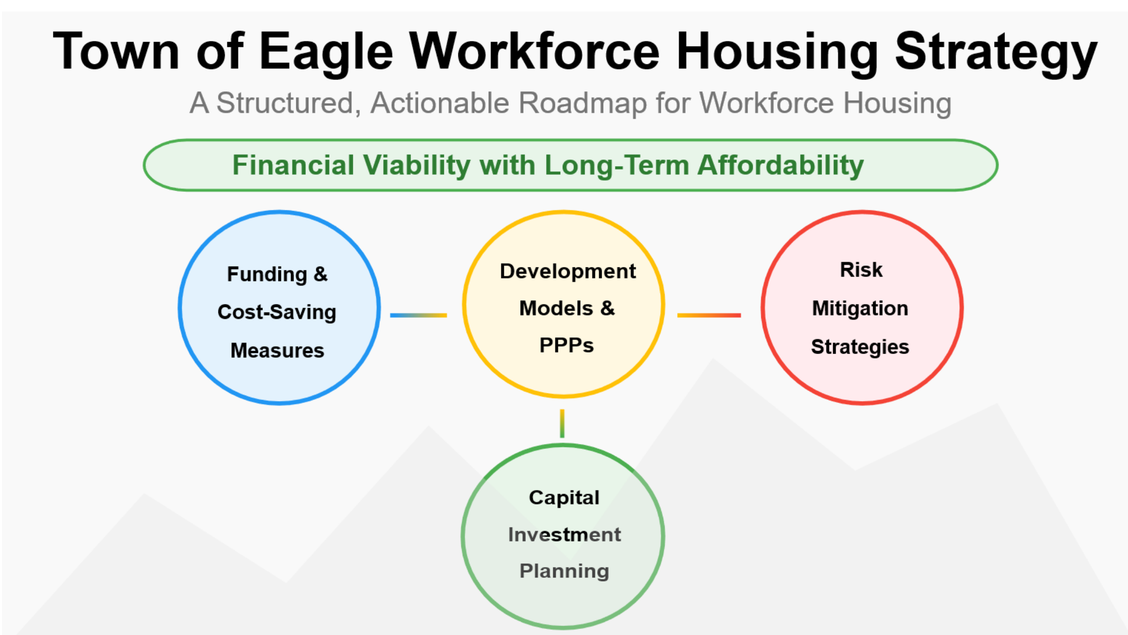
# Introduction: A Strategic Approach to Affordable Housing in the Town of Eagle

The Town of Eagle, like many rural resort communities in Colorado, faces significant workforce housing challenges due to high development costs, limited land availability, and rising housing demand. Addressing these challenges requires a comprehensive financial strategy that balances public investment, private sector engagement, and cost-saving development approaches to create and sustain workforce housing.

This strategy outlines a range of funding mechanisms, development models, and risk management tools designed to make workforce housing financially viable while ensuring long-term affordability. It recognizes that housing development exists on a spectrum—from fully private market-rate projects to entirely public-funded affordable housing—with the most effective workforce housing solutions often falling in between.

**Key components of this strategy include:**

- Funding and Cost-Saving Measures – Leveraging a mix of public funding, private investment, and cost-saving development techniques to offset high costs.
- Development Models and Public-Private Partnerships (PPPs) – Identifying the appropriate mix of private, public, and hybrid models to maximize housing affordability and feasibility.
- Risk Mitigation Strategies – Implementing financial, construction, and market risk management tools to safeguard project viability.
- Capital Investment Planning – Outlining per-unit development cost estimates and structured funding approaches for rental and ownership housing projects.



This strategy provides a structured, actionable roadmap for the Town of Eagle to expand its workforce housing supply while ensuring financial sustainability. It is intended to be a working document, shared across the community to invite and inform affordable housing development for the residents of Eagle, CO.

# 1. Financial Strategies for Workforce Housing Development

Creating workforce housing in the Town of Eagle requires a financial approach that balances public investment, private sector engagement, and cost-saving measures to make development viable while ensuring long-term affordability. Given high construction costs and land constraints, securing early funding commitments and leveraging public-private partnerships (PPPs) will be critical.

### *Approach to Workforce Housing Finance*

A mix of funding sources, investment strategies, and development efficiencies can help reduce financial barriers:

- **Public Funding** – State and local grants, municipal bonds, and housing trust funds to subsidize affordability.
- **Private Investment** – Developer contributions, employer-assisted housing programs, and impact investments to increase financial feasibility.
- **Cost-Saving Strategies** – Higher-density zoning, streamlined permitting (express lane), pre-approved building designs (with accompanying criteria and limitations), and modular or prefabricated construction to control costs.

No single funding approach can fully address workforce housing needs. Instead, a layered financing structure—drawing from multiple sources—will be required to support both rental and ownership development in Eagle. The following sections outline available funding mechanisms, optimal development models, and risk mitigation strategies to ensure financial sustainability and long-term affordability.

# 2. Public vs. Private Development Spectrum

Housing development exists on a spectrum between fully private, market-driven projects and entirely public-funded affordable housing. Most workforce housing efforts fall somewhere in between, using a mix of public and private resources to balance feasibility with affordability.

### *Private Development*

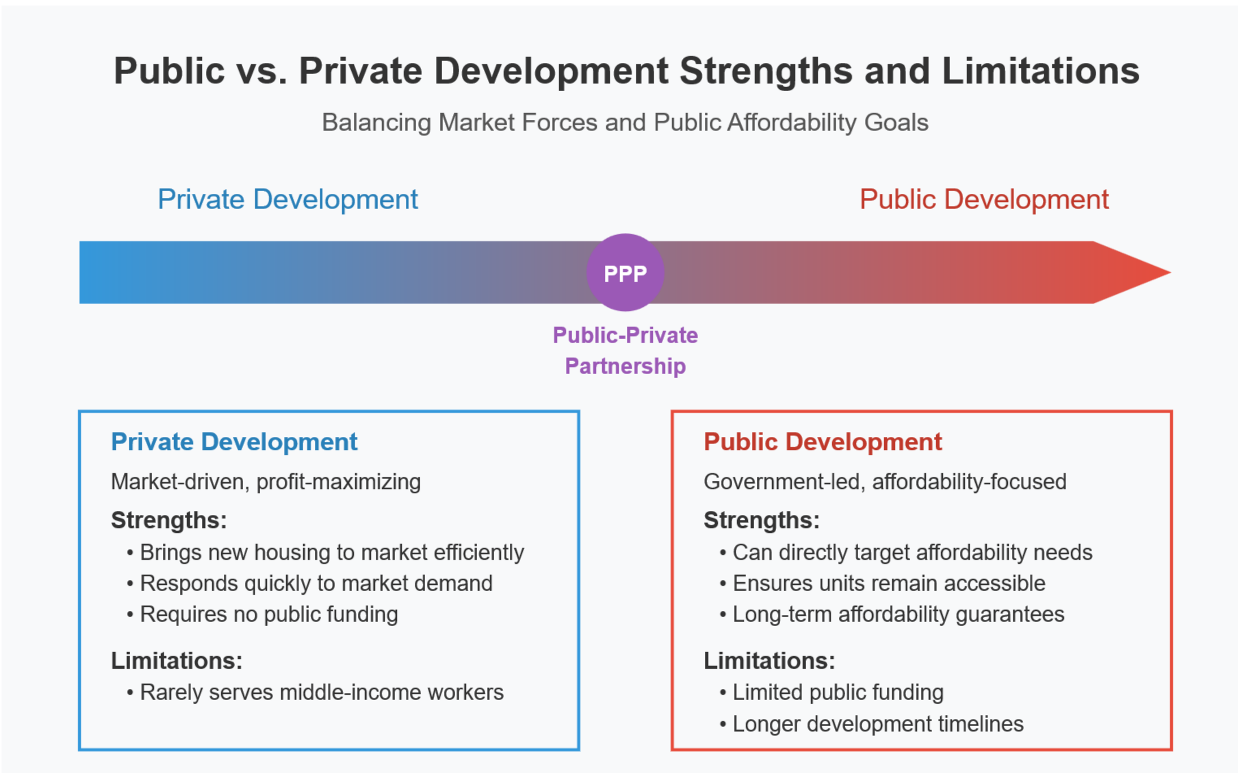
At one end of the spectrum, private development is driven entirely by the market. Developers finance and build projects with the goal of maximizing returns, setting rents or sales prices based on demand.

- **Strengths**: Brings new housing to market efficiently, responds to demand, and requires no public funding.
- **Limitations**: Rarely serves middle-income workers unless incentives—such as tax credits, fee waivers, or zoning bonuses—are provided.

### *Public Development*

On the other end, public-led housing is funded and operated by government entities, such as housing authorities or municipalities. These projects rely on grants, tax credits, and other public funding to ensure long-term affordability.

- **Strengths**: Can directly target affordability needs, ensuring that units remain accessible to low- and moderate-income households.
- **Limitations**: Public funding is limited, and projects often take longer to develop due to regulatory and financing complexities.

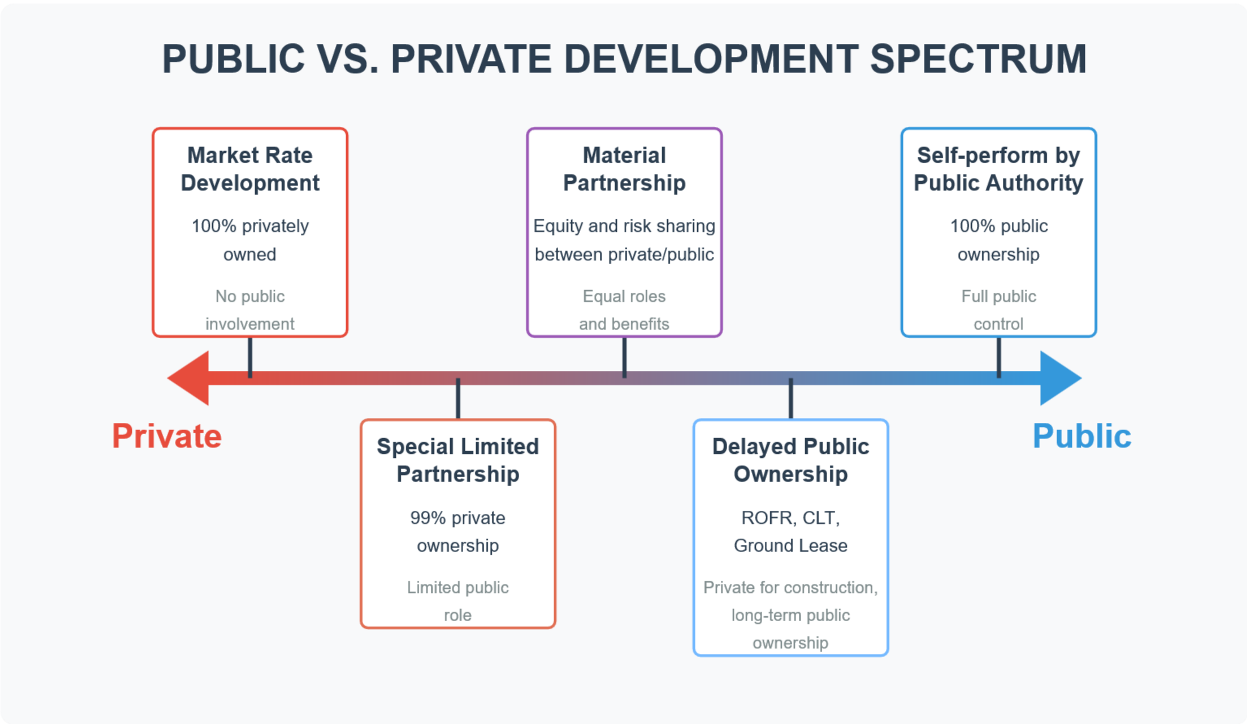



### *The Middle Ground: Mixed-Finance and Public-Private Models*

Between fully private and fully public development, a range of mixed-finance and public-private partnership (PPP) models exist. These approaches combine elements of both, often incorporating a mix of market-rate and affordable units within the same project.

In these models, private developers may receive incentives—such as tax credits, grants, or density bonuses—in exchange for incorporating affordable housing. This balance between financial viability and social responsibility ensures that new developments contribute to a diverse and inclusive community, offering housing options for a wider range of incomes.

By strategically positioning projects within this development spectrum, communities can plan for housing that not only meets market demand but also addresses critical affordability needs. This creates a more equitable and resilient housing market, ensuring that both the middle-income "workforce" and lower-income residents have access to stable housing while keeping projects attractive to private investment.



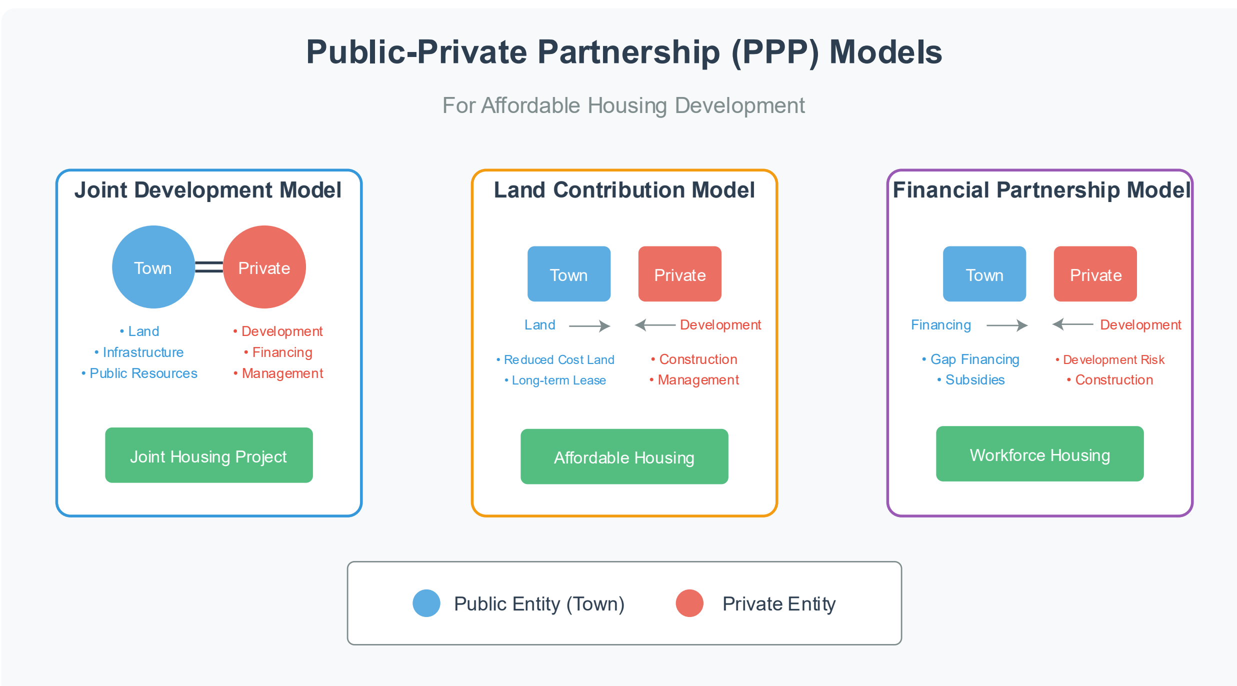

## 3. Public-Private Partnerships (PPP)

A public-private partnership (PPP) model blends public support with private investment to create workforce housing that meets local needs. This approach allows the Town of Eagle to leverage public resources—such as land contributions, infrastructure investments, or financial incentives—while private developers handle construction, financing, and long-term management.

A well-structured PPP approach can help bridge the gap between fully private and fully public models, making workforce housing more financially viable for developers while ensuring long-term affordability. These partnerships typically follow one of three structures:

- **Joint Development Model** – The Town partners directly with a private developer, contributing public resources such as land or infrastructure improvements, while the developer leads construction, financing, and operations.
- **Land Contribution Model** – The Town provides land at a reduced cost or through a long-term lease, enabling private developers to construct and manage housing while adhering to affordability requirements. The long-term leases (75-99 years) effectively function like ownership for the developer while ensuring long-term affordability through the lease terms. The long-term lease agreements typically include provisions that transfer liability to the developer/property manager.
- **Financial Partnership Model** – The Town offers financial support, such as gap financing or subsidies, while private partners take on the development risk and lead construction efforts.

For the Town of Eagle, finding the right balance on this spectrum will depend on local priorities, funding availability, and private-sector participation. A well-executed PPP structure can reduce financial barriers, expand housing supply, and create a sustainable affordable housing solution that benefits both the community and investors.




### *Risk Allocation in PPPs*

A well-structured PPP ensures that risks are assigned to the entity best equipped to manage them. The public sector takes on responsibilities related to land use approvals and long-term affordability compliance, while the private sector assumes financial and operational risks.

- **Public Sector Responsibilities:** The Town can de-risk projects by offering incentives such as expedited permitting, zoning reform, or infrastructure investments. It also ensures long-term affordability compliance, particularly when using deed restrictions or other affordability mechanisms such as Land Use Restriction Agreements (LURAs) that set income limits, rent caps, and affordability periods, Community Land Trust (CLT) Agreements and Limited Equity Cooperatives that cap resale values to preserve affordability.

- **Private Sector Responsibilities:** Private developers carry the burden of construction costs, securing financing, and operational management. Market-driven innovation, such as cost-effective design and value engineering, helps reduce overall development expenses.

By structuring workforce housing projects as public-private partnerships, the Town of Eagle can reduce financial barriers, expand housing supply, and ensure long-term affordability without shouldering the entire cost burden.

## 4. Funding Sources and Opportunities

### *Local & Regional Funding*

**Inclusionary Housing Program** – The Town of Eagle has implemented the Local Employee Residency Program (LERP), which requires new residential developments with ten or more units to allocate 15% of the units as affordable and 35% of the units as resident occupied (no affordability requirements). This program aims to ensure that a share of new housing stock remains accessible to the local workforce, thereby promoting sustainable communities.

- **Fee-in-Lieu Option** – Developers who cannot meet the on-site LERP requirements have the option to pay a fee in lieu, which is deposited into a dedicated housing fund. These funds can be used to support workforce housing projects, land acquisition, or other affordable housing initiatives within the Town of Eagle.

**Workforce Housing Funds** – The Eagle County Housing and Development Authority (ECHDA) actively manages various programs to address affordable housing needs. In late 2021, Eagle County generated $50 million for workforce housing by selling the Lake Creek Village apartments. These funds have been allocated to create and acquire hundreds of new housing units across the County, with plans to add 500 more by the end of 2025.

**Short-Term Rental Revenue** – The Town of Eagle currently imposes a 6% lodging occupation tax on short-term rentals, with revenue split equally between the Town's Open Space Fund and marketing/events initiatives. To further support affordable housing, the Town could consider reallocating a portion of this tax Revenue, or implementing an additional short-term rental fee or tax, specifically dedicated to housing initiatives. This approach has been adopted by other Colorado municipalities, such as the Town of Avon, where voters approved a short-term rental tax estimated to generate between $1 million and $1.5 million annually for community housing initiatives.

**Public-Private Partnerships (P3s):** The Town of Eagle collaborates with private developers and local employers to expand workforce housing. The following projects are other regional examples demonstrating effective public-private partnerships.

- **Two10 at Castle Peak (Eagle County)**
    - A $9.5 million LEED Gold Certified 22-unit apartment complex within the town serving as workforce housing, with future plans to transition to independent senior housing.
    - A collaboration between Eagle County and ECHDA, this project provides below-market-rate rents to support the local workforce.
- **Habitat for Humanity Partnership (Town of Vail & Eagle County)**
    - Timber Ridge Phase II redevelopment includes 10 affordable homes for ownership by families earning up to 80% of the Area Median Income (AMI).
    - A partnership between Habitat for Humanity Vail Valley, the Town of Vail, and Eagle County Government, with $4 million committed to zero-interest mortgages for qualified buyers.
    - Homes will remain deed-restricted to maintain affordability for future generations.

**General Obligation (GO) Bonds**

GO bonds are debt instruments issued by municipalities, backed by the full faith and credit of the issuing entity, and repaid through general taxation, often property taxes. These bonds can finance a wide range of public projects, including affordable housing initiatives. For example, the City and County of Denver periodically authorizes GO bond programs to fund public capital improvement projects, with voter approval. While GO bonds are a valuable tool for urban centers, rural resort communities in Colorado often find greater success through state-supported initiatives and flexible funding programs tailored to their unique needs.

**Revenue Bonds**

Revenue bonds are another financing tool where the debt is repaid from the income generated by the specific project or source, rather than general taxation. Municipalities can issue revenue bonds to support affordable housing projects, with repayment sourced from housing project revenues or dedicated fees. For instance, Garfield County has approved the allocation of revenue bonds toward residential rental projects and single-family mortgage loans for low- and moderate-income households. Additionally, the Town of Nederland is considering revenue bonds, repaid through specific project-generated income, to finance infrastructure projects.

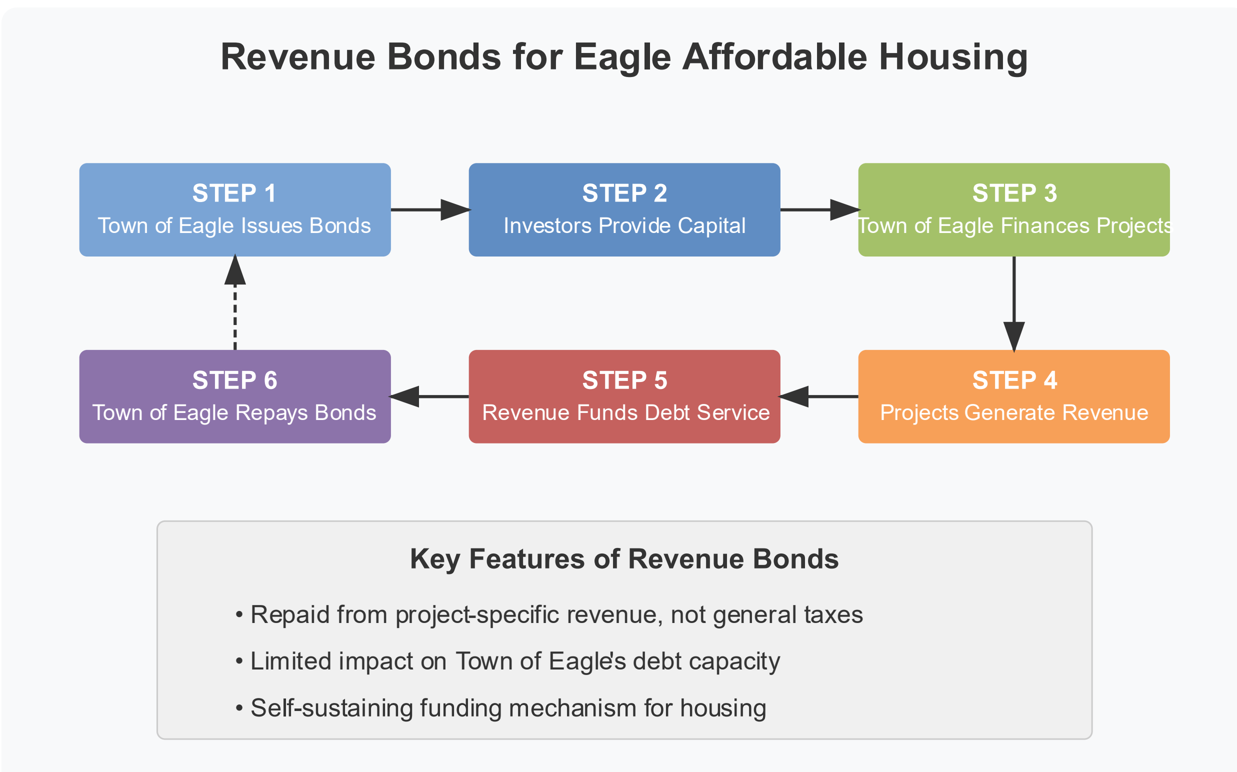
Revenue bonds are typically assessed against projects that generate a dedicated revenue stream sufficient for repayment. Some common examples include:

- **Multifamily Rental Housing:** Revenue bonds are often used for workforce and affordable rental projects, where rents contribute to debt repayment.

- **Mixed-Use Developments:** If a portion of a development includes public infrastructure or housing, municipalities may assess a revenue bond-backed fee on certain components (e.g., a housing impact fee on commercial space).
- **Public-Private Partnerships (P3s):** Revenue bonds may support developments where the municipality and private sector collaborate, such as transit-oriented developments or housing adjacent to municipal facilities.
- **Infrastructure-Dependent Commercial Developments:** Some municipalities apply revenue bonds to infrastructure improvements (e.g., parking structures, utilities) that support commercial projects.

Revenue bonds can be a useful tool, but they may deter commercial developments if they reduce profitability or introduce financial risk. The structure of the bond and how repayment obligations interact with commercial revenues are key factors in whether they act as a disincentive.

Implementing GO or revenue bonds requires careful planning and community engagement. Key steps include assessing the town's debt capacity, securing voter approval (for GO bonds), and ensuring a reliable revenue stream for bond repayment. Collaborating with financial advisors and legal counsel can help structure bond offerings that align with the town's housing objectives and financial standing.



### *State Funding (Colorado)*

**DOLA & DOH Housing Programs** – The Colorado Department of Local Affairs (DOLA) and its Division of Housing (DOH) offer various funding programs to support affordable housing development across the state. These programs provide grants and loans to assist in the creation and preservation of affordable housing units for households earning up to 100% of the Area Median Income (AMI).

**Funding Programs:**

- **Affordable Housing Development Grants and Loans:** DOLA/DOH administer funds to assist in the development and preservation of affordable housing. These funds can be used for new construction, acquisition, and rehabilitation of rental and ownership housing units. The goal is to increase the availability of affordable housing for low- to moderate-income households.
- **Housing Development Grant (HDG) Program:** This program provides grants to local governments, housing authorities, and non-profit organizations for the acquisition, rehabilitation, and new construction of affordable housing. The HDG program aims to address the housing needs of low-income populations and can be a valuable resource for projects targeting households at or below 100% AMI.
- **HOME Investment Partnerships Program (HOME):** The HOME program offers federal funding to states and localities to support a wide range of activities, including building, buying, and rehabilitating affordable housing for rent or homeownership. Funds can also be used for direct rental assistance to low-income individuals. Projects utilizing HOME funds often target households at or below 80% AMI but can be structured to assist those up to 100% AMI, depending on specific program guidelines.

**CHFA Low-Income Housing Tax Credits (LIHTC)** – Utilize competitive and non-competitive tax credits to finance affordable rental units. LIHTC projects must maintain affordability for a minimum of 15 years, with many extending to 30 years or more under extended-use agreements.

**CHFA Middle-Income Housing Tax Credits (MIHTC) -** New in 2025, MIHTC supports the development of affordable middle-income housing serving residents earning between 80%-120% AMI and up to 140% AMI in rural resort communities.

**Proposition 123 Affordable Housing Funding** – Proposition 123, approved by Colorado voters in November 2022, established the State Affordable Housing Fund (SAHF), dedicating 0.1% of state income tax revenue—approximately $300 million annually—to support affordable housing initiatives.

**The Affordable Housing Fund is divided between two main programs:**

**1. Affordable Housing Financing Fund (60%)**

Managed by the Office of Economic Development and International Trade (OEDIT) in partnership with the Colorado Housing and Finance Authority (CHFA), this fund receives 60% of the SAHF allocation, equating to about $180 million annually.

- Land Banking: Grants and forgivable loans for acquiring and preserving land designated for affordable housing development.
- Equity Investments: Below-market-rate equity investments to support the creation or preservation of low- and middle-income multifamily rental developments.
- Concessionary Debt: Loans aimed at facilitating the development and maintenance of affordable rental housing.

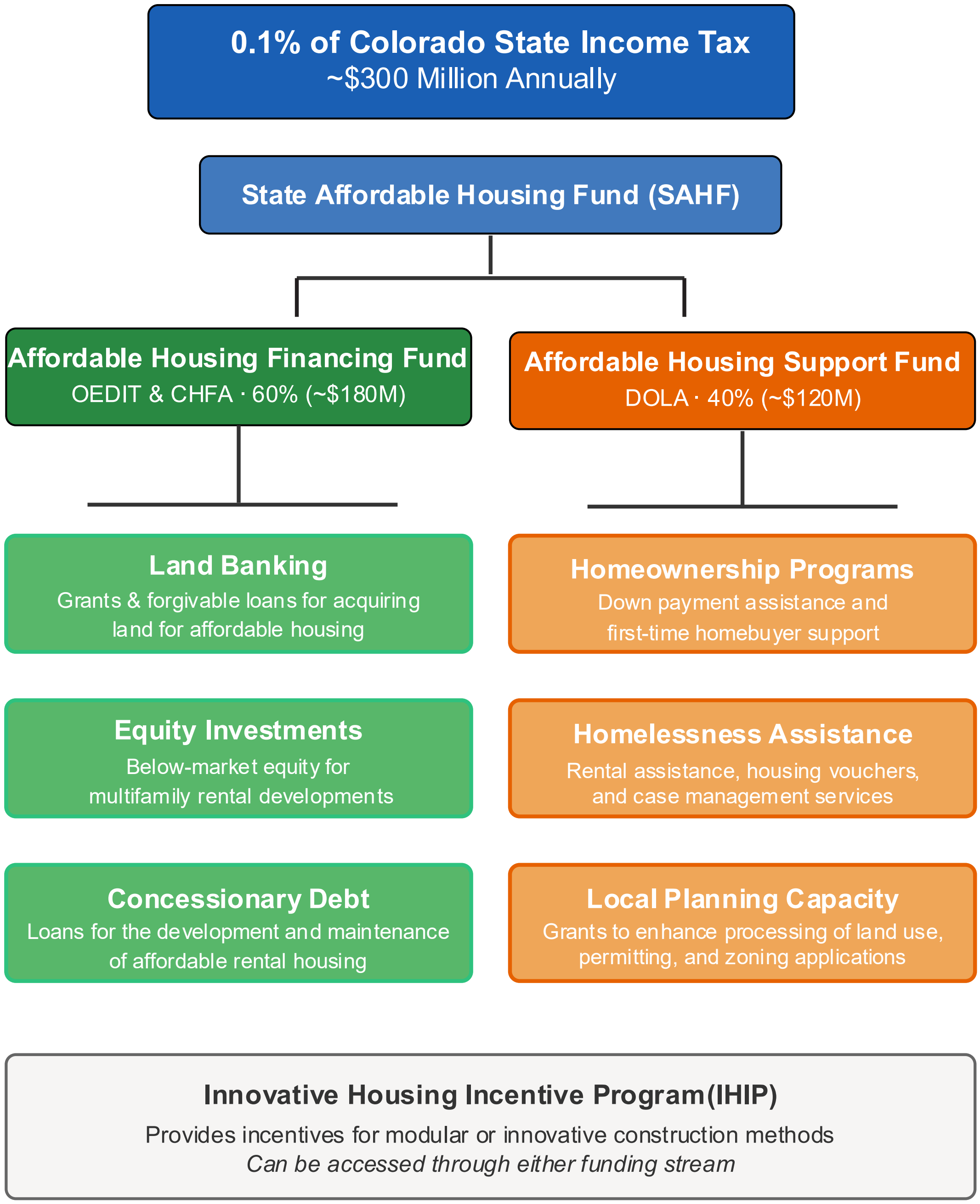
**2. Affordable Housing Support Fund (40%)**

Administered by the Department of Local Affairs (DOLA), this fund receives the remaining 40% of the SAHF allocation, approximately $120 million annually. It is dedicated to:

- Affordable Homeownership Programs: Initiatives providing down payment assistance and other support for first-time homebuyers meeting specific income criteria.
- Homelessness Assistance: Programs offering rental assistance, housing vouchers, and case management services for individuals experiencing homelessness.
- Local Planning Capacity Development: Grants to local governments to enhance their ability to process land use, permitting, and zoning applications efficiently.

Innovative Housing Incentive Program (IHIP) – If applicable, apply for incentives for modular or innovative construction methods to help offset the significantly higher construction costs in mountain communities.

# Proposition 123 Affordable Housing Funding



### *Federal Funding*

HUD HOME & CDBG Funds – Leveraging federal programs can significantly enhance affordable housing initiatives in the Town of Eagle. Two primary sources of such funding are the Community Development Block Grant (CDBG) and the HOME Investment Partnerships Program (HOME).

**Community Development Block Grants (CDBG)**

The CDBG program, administered by the U.S. Department of Housing and Urban Development (HUD), provides annual grants to states and local governments to support community development activities. These funds aim to:

- Develop viable communities by improving infrastructure and public facilities.
- Provide suitable living environments for low- and moderate-income individuals.
- Expand economic opportunities through housing and community projects.

In Colorado, the Department of Local Affairs (DOLA) oversees the distribution of CDBG funds for non-entitlement areas, including the Town of Eagle. Public hearings are required before submitting an application to ensure there is opportunity for community input.

**HOME Investment Partnerships Program (HOME)**

The HOME program is another HUD initiative designed to create affordable housing for low-income households. Funds can be used for:

- Building, buying, and rehabilitating affordable housing.
- Rental assistance programs for low-income households.
- Homeownership assistance for first-time homebuyers.

In Colorado, DOLA administers HOME funds for areas not receiving direct HUD allocations, and ECHDA plays a role in managing local projects.

**Regional Partnership: Eagle County Housing and Development Authority (ECHDA)**

ECHDA is the primary agency responsible for securing and administering CDBG and HOME funds in the region.

- ECHDA's programs support homeownership, rental housing, and workforce housing solutions throughout Eagle County.
- ECHDA acts as a conduit for federal funding, ensuring compliance with state and federal requirements while supporting local housing initiatives.

### *Alternative & Private Funding*

**Employer-Assisted Housing (EAH) Programs** – Engage large employers (e.g., healthcare, ski resorts, service industries) in co-investing in workforce housing solutions, particularly for projects serving employees in the 80-120% AMI range.

- **Town of Eagle Employee Home Ownership Program (EHOP):** This program offers financial assistance to full-time, permanent Town employees for purchasing homes within Eagle County. Eligible employees may receive up to $40,000 for homes outside the within the Town of Eagle and up to $20,000 for homes outside the Town of Eagle but within Eagle County.

**Impact Investments & Social Impact Bonds** – Attracting mission-driven investors and philanthropic organizations can provide flexible capital for housing initiatives in the Town of Eagle, supplementing traditional funding sources. Several organizations and regional models support affordable housing through impact investments:

**Regional Examples & Opportunities**

- **Habitat for Humanity Vail Valley**

  Celebrating 30 years in Eagle County, Habitat has built 146 homes and aims to construct 50+ additional homes by 2029. The organization secured $4 million in funding from the Town of Vail and Eagle County to provide zero-percent mortgage loans for the Timber Ridge Phase II redevelopment in Vail.

- **Eagle Villas Apartments Preservation**

  This 120-unit LIHTC property was sold in 2024 for $39 million, highlighting the role of private investment and tax credits in preserving workforce housing in the area.

- **Impact Development Fund (IDF)**

  IDF has partnered with the Eagle County Housing & Development Authority to manage Down Payment Assistance programs and other financing solutions for first-time homebuyers.

- **Colorado Impact Fund**

  This private equity fund invests in Colorado-based companies that generate positive social impact, with potential applications for housing development.

**Community Land Trust Model** – A Community Land Trust (CLT) can help maintain long-term affordability for homeownership in the Town of Eagle, particularly in high-value areas where land costs significantly impact housing affordability. While no formal CLT currently operates in Eagle, exploring regional models and local partnerships can provide a strong foundation.

- **Eagle Valley Land Trust (EVLT)**

  While EVLT primarily focuses on land conservation, it holds over 7,700 acres under conservation easements. Partnering with EVLT could provide a framework for establishing a local development minded CLT, ensuring housing affordability alongside conservation goals.

## 4. Risk Mitigation Strategies

Developing workforce housing in the Town of Eagle requires careful risk management to ensure financial stability and project success. The following risk mitigation strategies help address key challenges related to construction costs, market fluctuations, and financing uncertainties.

### *Construction Cost Containment*

Rising construction costs can significantly impact the affordability of workforce housing. Strategies to mitigate cost escalation include:

- Value Engineering – Optimizing design and material selection to reduce costs while maintaining quality.
- Prefabricated Elements – Using modular or panelized construction methods to shorten build time and reduce labor costs.
- Bulk Purchasing Agreements – Partnering with suppliers to secure volume discounts on materials, mitigating cost volatility.

### *Market Risk Mitigation*

Housing demand and affordability fluctuate over time. Strategies to reduce exposure to market risks include:

- Pre-Sales Requirements for Ownership Units – Ensuring a minimum number of units are sold before construction begins to secure financial viability.
- Flexible AMI Targeting – Structuring affordability levels across a range of Area Median Income (AMI) bands to increase the pool of eligible buyers or renters.
- Phased Construction Approach – Building in stages to allow adjustments based on market conditions, reducing the financial risk of unsold or vacant units.

### *Financing Risk Management*

Economic conditions, interest rates, and funding availability can impact project financing. Key risk mitigation strategies include:

- Interest Rate Locks – Securing fixed financing rates early in the project to protect against rising interest costs.
- Contingency Reserves – Maintaining a financial buffer to cover unexpected cost overruns, ensuring project continuity.
- Multiple Funding Source Backup Options – Diversifying funding sources, including grants, tax credits, and employer-assisted housing contributions, to reduce dependency on any single funding mechanism.

# 5. Financial Framework

Developing workforce housing in the Town of Eagle requires careful financial planning to ensure affordability while covering land, construction, and infrastructure costs. Based on cost assumptions from similar mountain communities, we estimate the following per-unit development costs for rental and ownership housing:

### *Rental Housing Development (Multi-Family Apartments)*

- **Estimated Per-Unit Cost:** $400,000
- **Cost Drivers:**
    - Higher construction costs due to materials, labor, and transportation in mountain regions
    - Site development expenses, including roads, utilities, and permitting
    - Land acquisition, which varies based on location, zoning, and infrastructure availability
- **Total Projected Cost:** To be finalized based on unit count

### *Ownership Housing Development (Townhomes/Condos)*

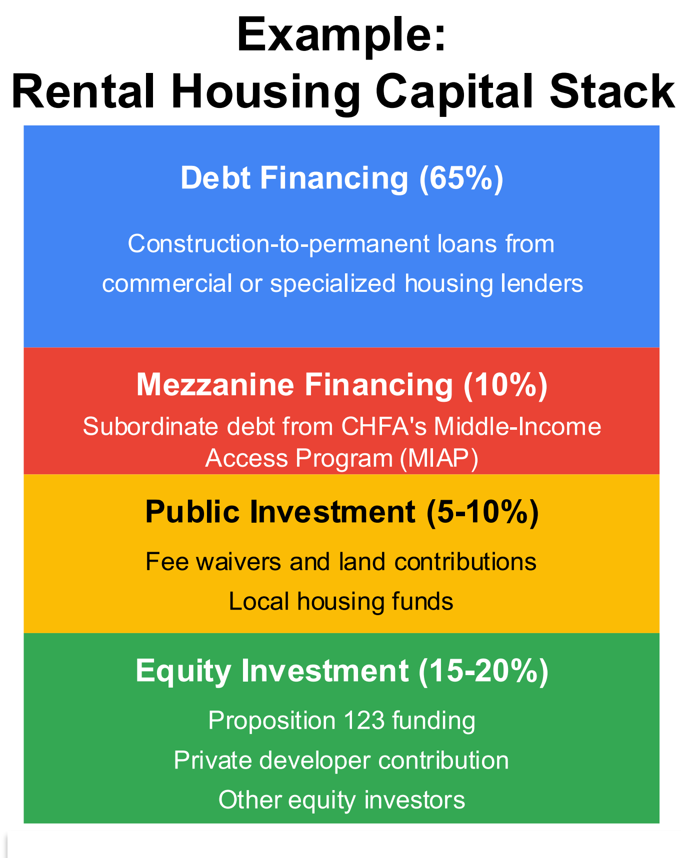
- **Estimated Per-Unit Cost:** $600,000
- **Cost Considerations:**
    - Larger unit sizes and higher-quality finishes compared to rental units
    - Additional infrastructure and land development costs
    - Affordability mechanisms, such as deed restrictions or down payment assistance
- **Total Projected Cost:** To be determined based on final unit count

## 6. Sources of Capital

The proposed funding strategy employs a diversified capital stack similar to successful models in similar resort communities:

### *For Rental Development:*

1. **Debt Financing (65%)**: Construction-to-permanent loans from commercial lenders or specialized housing lenders
2. **Mezzanine Financing (10%)**: Subordinate debt from CHFA's Middle-Income Access Program (MIAP)
3. **Public Investment (5-10%)**:
   - Fee waivers and land contributions
   - Local housing funds
4. **Equity Investment (15-20%)**:
   - Proposition 123 funding
   - Private developer contribution
   - Other equity investors



*For Ownership Development:*

1. **Construction Financing (60-70%)**:
    - CHFA construction loan or commercial construction financing
2. **Grant Funding (10-15%)**:
    - DOLA grants for units serving households at or below 100% AMI
    - Down payment assistance programs for qualified buyers
3. **Developer Contribution (5-10%)**:
    - Deferred developer fee
    - Direct equity investment
4. **Land Equity (5-10%)**:
    - Contribution of land value if publicly owned
    - Land acquisition subsidy if privately owned