MEMO

To: Board of County Commissioners

Cc: Mayor and Town Council
Kelly Lockhart; Nikki Gill; NSP Planning Staff

Fr: NSP Steering Committee Members Bill Collins, Scott Pierson, Jenn Ford, Hans Flinch

Re: NSP Planning Going Forward

Date: September 28, 2021

There is an overwhelming desire for some relief in our workforce housing crisis and launching a housing plan for Northern South Park was a great idea. Now that we are about halfway through this planning exercise, and half of the budget remains available, we should take stock of what has been learned so far and apply this knowledge as we finish planning NSP.

Instead of generating a preferred development scenario from the three alternative scenarios the consultants produced, let us proceed slightly differently. The consulting team and staff can direct their efforts toward studying and answering two questions.

1. Is there a smaller scale plan that significantly lowers infrastructure costs, and occupies much less of the owners' acreage, that can appeal to the landowners? Perhaps a smaller scale, less expensive development in northern South Park could create a more manageable community subsidy and provide the landowners an acceptable return on their land. The two previous plans proposed by the Gills provide starting points for studying a smaller less expensive development plan.

2. Could a joint venture between a developer and the landowners be as profitable for the landowners as selling their 35 acre tracts? What would such a partnership look like to the owners? Would the owners consider pursuing such an option? Could a public agency, such as the hospital, be a partner in a joint venture?

Focusing on these two questions appears more helpful than proceeding with the current process to establish a preferred development scenario that will not appeal to the landowners.

Chief among the goals for planning NSP is to create a plan the landowners will execute. This primary goal makes perfect sense because the community has no power execute the plan; the motivation to act must come from the landowners.

A critical lesson learned from the first half of the NSP planning effort should refocus the work during the second half of the exercise. The consultants modeled development costs, sales proceeds, rates of return, and other factors and concluded that a developer would pay $100,000 per acre to develop any of the three scenarios. This projected purchase price is not financially competitive with an alternative the landowners already have. To offset costs and risk for developing the NSP plan, a developer would pay far less for the land than the landowners would receive from selling their 35 acre tracts that currently exist. These existing tracts of land likely would fetch sales prices two to four times the $100,000 value. No one can expect the landowners to sell their land for $100,000 an acre when they already have an alternative that would generate significantly more sales proceeds. Selling the existing tracts for, say $300,000 an acre, would generate $45M more than selling the land for $100,000 an acre. Selling the existing tracts also avoids the time, frustration and stress that comes with building out a plan.

The difference between these per acre values is the difference between a large, expensive development that needs to produce a worthwhile ROI, and 35 acre lots for expensive houses with no expectations for further development. The cost and risk to develop any of the NSP alternative scenarios make the alternatives uncompetitive. Selling the existing tracts for expensive single-family houses seems to enjoy endless demand and is relatively free of costs and risk.

Even if the some of the assumptions, formulae or costs in the consultants' model are changed, it is hard to fathom the changes would close the gap between $100,000 and $300,000 per acre sales prices. If the consultants massage the model to produce a higher land value, it will not mean a developer would pay the higher price, especially not a price that competes with selling the existing tracts.

To bridge this difference between $100,000 and $300,000 per acre would require $45M and this amount would address only the land value. The consultants' alternatives also call for community subsidies between $250M and $500M to generate up to 1,000 workforce housing units.

The consultants' financial model revealed a result we did not want, but it provided very important information, nonetheless. The opportunity to create workforce housing in a large scale, infrastructure heavy, green field development has passed, and it is no longer possible when competing with the demand for high-end, low-density housing. It would be a big mistake to allocate density that can be used for workforce housing to a plan that will not be implemented. If we allocate 1,200 or 2,400 units (approximately NPS alternatives B and C) to a development that will not happen, we eclipse other opportunities to use this density for workforce housing. The consultants' work in the first half of the NSP planning allows us to avoid making this mistake and provides the opportunity to slightly refocus the remainder of the planning effort.

Now that we have learned the costs and subsidy amounts to develop a large number of workforce housing units in NSP, we should do more than explore the two questions described above. We also must think broader than NSP if we truly want to address our workforce housing needs. We encourage a workforce housing strategy that includes the following items.

1. Proceed with a smaller plan in NSP on less acreage that focuses on the “missing middle” housing that cannot be achieved with infill development.

2. We should redouble our priority on infill and redevelopment opportunities in Town to achieve the workforce housing goals. This alternative would take advantage of infrastructure that already exists, but this alternative also needs to be pursued immediately or these opportunities, too, will evaporate.

3. Finally, the time has come for a regional component to our workforce housing strategy with the requisite transit service. Continuing to build workforce housing in the Valley is essential for several reasons, and we should continue these efforts as much as our public budgets and private contributions can afford. But fully meeting our housing needs requires less expensive development costs than are possible in Jackson Hole.