

Northwest Colorado Council of Governments



A County and a Town walk into a Housing Project...

#4 Crested Butte Proceeds with Caution

Continuation

Using Whetstone in Gunnison County as a case study of workforce housing development, this issue builds on our [series from last week](#). The story is complex and serves to illustrate the almost insurmountable details that must be considered, hammered out, negotiated, renegotiated, and ultimately approved for a project to result in livable units. Gunnison County has provided detailed edits and signed off. Stay tuned” to this space as each installment builds on the preceding, to clearly illustrate the complicated story of affordable housing.

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Crested Butte Approaches County Project with Caution

What would give a town with a population of 1,550 and 1,171 housing units, roughly 17% of which are [Short Term Rentals](#) pause about adding another 240 units of dedicated affordable housing? John Cattles, Gunnison County Assistant Manager who with Cathie Pagano, another Assistant County Manager is steering the Whetstone project through the entitlement process appreciates the cautious approach taken by his peers. There are those at the Town of Crested Butte concerned about financial risk, others focused on the engineering and others who wanted to weigh annexing the property. Annexation is the point at which a municipality has the most flexibility and control in the review process, and rarely will it separate parts of the development negotiations from an entire package wrapped up in one Annexation and Development agreement. The County hopes to either sidestep or postpone the annexation question until it can get a project approved.

Shae Earley is professionally cautious, as one might expect from an engineer responsible for the financial viability of a small municipal utility enterprise that must be supported by a few hundred users. Earley is Public Works Director for the Town of Crested Butte, he says “the town has a lot to weigh with how it operates to serve the Whetstone project beyond the simple idea of a \$10 M, two-mile extension of water and sewer system. The current water and wastewater system of the town is gravity fed. To serve Whetstone which is below the new wastewater plant will require lift stations and pumps.” These, Earley says, are more complex and costly than what they now manage. Even with the County assuring the town that it will cover all the reasonable costs that can be foreseen, that still leaves a lot of uncertainty over the next 30 years.

Earley recently estimated the towns utility system needing over [\\$61M in Capital Improvements](#) in the next 19 years. A new wastewater plant recently was estimated to cost [\\$8M. Instead, it came in at \\$17M](#) after significant scope reductions. He just made the case in September 2022, to town council to increase in-town water rates by over 50% to set aside funds for aging infrastructure that dates from the 1960's and 1970's. That was before accounting for Whetstone. Most of the existing water and wastewater systems are nearing the end of their useful life, which contributes to how the town approaches new development. In

the news article, Earley is quoted as saying, “some water flow pipes installed in the 1970s were basically a mystery” (like a lot of what occurred in the 70’s).

By law, the town of Crested Butte is the only water and wastewater utility option with capacity for the project 2 miles down valley. Towns don’t get to choose when a project is proposed, they do need to be sure they understand what they are getting into with additional infrastructure, including construction costs and the operating costs of the new system, as well as the long-term replacement costs.

In addition to new growth the Town of Crested Butte must weigh unforeseen costs that seem to come down every few years from CDPHE, the Colorado Department of Public Health and Environment which is charged with seeing to the air and water quality around the state. CDPHE regulates wastewater and water quality. Recently, staff at CDPHE revisited existing regulations for nutrient levels and ratcheted up the calculations impacting nearly every utility in the state. “Even if a town has diligently kept up with the costs (of aging infrastructure), knowing these requirements are coming down the pipeline, how do you adjust to a 10% to 15% water quality or wastewater standard mandate from the state?” These seem to come around every decade or so. Then there is the factor of rising cost of construction materials for water utilities. Construction costs have skyrocketed. “We decreased the cost of our wastewater plant and it still doubled in cost,” says Earley referring to the 110% increase between engineering phases. The costs are real to both the Town and County. Both parties understand someone will need to pay. In most private developments, these eventually become a burden on the homeowners.

Cattles said that months ago the conversations started with utility system capacity, then the annexation question arose. During meetings the Town Council agreed on “a friendly solution, to agree to provide utilities first and annex later” which is one exception they would be highly unlikely to do with a private developer. “I give them credit,” says Cattles, “they (the town) had to trust us. We asked, ‘what are the potential pain points for you guys if you annex in the future’ and we will work with you to create plans that work for you. We agreed to negotiate.” The town and the county are each relinquishing some certainty and control in this “friendly solution.” That trust has been earned. As of October 2023, the Town of Crested Butte and Gunnison County have each compromised, allowing the project to proceed across one hurdle.

As of October 2023, it appears that the town and county have come to agreement with as Cattles, says, “we are agnostic about annexation. What we are asking for is water and sewer services so we can build. We have gotten there with conditional approval. The terms are performance based. To me that is an engineering problem. The political hurdles we have more or less gotten past. The County is paying for everything (not covered by grants).” One condition of the towns is that the County do a fiscal study to prove that the tap fees charged will be sufficient to operate the site and maintain it. As an exercise, “that makes it pretty simple,” says Cattles, “we just look at a 30-year horizon for the plant and would those fees be sufficient? If not, (the town) may have to add a special fee for the project.” Existing utility customers for the town who have just taken their lumps will expect that this affordable housing project “will pay it’s own way” when it comes to future unexpected costs related to the utility extension.

Sympathetic to the County’s predicament as he weighs the costs to the town’s existing utility customers, Earley says, “apply that to an affordable housing project. Someone is going to come out losing in the end. It negates the ability of someone to afford the affordable housing project. To build and then sell \$400,000 units for a project with deed restrictions.” The math just doesn’t add up if this were a private developer. Covering all the costs and coming out on the other side with a product that must be affordable by definition. Earley says, “That is a problem he isn’t paid to solve.”

Look for Part #5 in the series next week.

Photo Credit: The Lumberyard Housing, Workforce Housing, Pitkin County.

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