Lease to Locals - CONVERSION INCENTIVE PROGRAM

Long-Term Rental Incentive Program Rules & Regulations
Opening Rental Opportunities for Local Workers.
Effective Date: October 15, 2021

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III. PROGRAM ADMINISTRATION
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I. PROGRAM SUMMARY & MISSION

Summit County and the Town of Breckenridge's incentive program (Lease to Locals) intends to increase the supply of rentals available to the County's workforce by converting short-term units to the long-term rental pool.

Colorado’s mountain & resort communities have become synonymous with almost entirely out-of-reach housing costs for locals as well as an ever-expanding commute. This largely contributes to labor shortages. In the 2019 Summit County Housing Needs Assessment, it was estimated that the County will be short approximately 2,600 units by 2023, almost all rentals. The post COVID19 unit shortage is estimated to increase to over 3,000.

Lease to Locals aims to immediately increase the number of long-term rental (LTR) units available to the County’s workforce by offering financial incentives to homeowners, who can more easily pay their bills & use their unit on the short-term rental (STR) market, in exchange for long-term leases.

Lease to Locals will test the concept of short-term to long-term rental conversion, with the goal of housing more of the local workforce in the County to both live & work in our community & helping with the staffing shortage.

II. INCENTIVES

Owner incentive plans currently have three phases, which may vary in the future based on success of this program. All three phases are broken down by unit size & length of lease. The phases offer less of an incentive for conversion based on need, with the primary focus on housing the workforce this ski season. The data from the surveys (displayed in Section VIII) show these units are rented more in the winter than the summer which yields a higher ADR (Average Daily Rate). To incentivize STR to LTR conversion, we offer a higher rate initially with the five to six month incentive just over half of the average income, & an increase for each unit size. The SPRING/SUMMER Seasonal Incentives drop in unison with the lower ADR’s of the season however the Long-term Incentives do not as these leases will span winter. See below for details.

**These incentives apply to the first 15 conversions of each category listed or the first 45 days of the program, whichever comes first. Budget dependent.**

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>Seasonal Incentive</th>
<th>Long-term Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>$5,500.00</td>
<td>$9,000.00</td>
</tr>
<tr>
<td>1Bedroom</td>
<td>$6,000.00</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>2Bedroom</td>
<td>$12,000.00</td>
<td>$22,000.00</td>
</tr>
<tr>
<td>3Bedroom or Larger</td>
<td>$13,000.00</td>
<td>$24,000.00</td>
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</tbody>
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OWNER INCENTIVE UPDATE (INCENTIVES LOWERED AFTER INITIAL INCENTIVE ENDS.
REVIEWED & APPLIED BASED ON SUCCESS OF INITIAL ROLLOUT)

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>Seasonal Incentive</th>
<th>Long-term Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>$4,500.00</td>
<td>$7,000.00</td>
</tr>
<tr>
<td>1Bedroom</td>
<td>$5,000.00</td>
<td>$8,000.00</td>
</tr>
<tr>
<td>2Bedroom</td>
<td>$10,000.00</td>
<td>$18,000.00</td>
</tr>
<tr>
<td>3Bedroom or Larger</td>
<td>$11,000.00</td>
<td>$20,000.00</td>
</tr>
</tbody>
</table>

OWNER SPRING/SUMMER UPDATE (SEASONAL INCENTIVE LOWERED FOR SUMMER ADR)

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>Seasonal Incentive</th>
<th>Long-term Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>$3,000.00</td>
<td>$7,000.00</td>
</tr>
<tr>
<td>1Bedroom</td>
<td>$4,000.00</td>
<td>$8,000.00</td>
</tr>
<tr>
<td>2Bedroom</td>
<td>$7,000.00</td>
<td>$18,000.00</td>
</tr>
<tr>
<td>3Bedroom or Larger</td>
<td>$8,000.00</td>
<td>$20,000.00</td>
</tr>
</tbody>
</table>

PROPERTY MANAGER (PM) INCENTIVE STRUCTURE

The PM will receive incentives for each STR they convert to a LTR: $1,000.00 per 2Bedroom unit or smaller & 2,500.00 per 3Bedroom unit or larger, for each LTR lease signed with a five to six month minimum in the first 45 days of the program. Signed year leases will received an additional $200.00. From the 46th day of the program forward these amounts are subject to a 50% decrease. Homeowners would still receive their separate owner incentive. The PM’s will also be eligible for incentives based on the following unit conversions:

PM COMPETITION

<table>
<thead>
<tr>
<th>First PM to Convert</th>
<th>Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Unit</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>10 Units</td>
<td>$15,000.00</td>
</tr>
<tr>
<td>15 Units</td>
<td>$20,000.00</td>
</tr>
</tbody>
</table>

(THIS BREAKS DOWN TO APPROXIMATELY $1,300.00 ADDITIONAL INCENTIVE PER UNIT)

II.a. *Participation: Homeowner/PM will have to show proof of ownership, & proof of previously operating as a Short-Term Rental (STR). Their STR License Number (effective prior to 10/15/2021), signed lease & tenant’s employment verification form will all need to be submitted for review.

II.b. *Renewing five to six-month Lease: Five to six-month leases are eligible to convert to a year lease after signing of the initial lease or at the conclusion of the initial lease. The updated payment to the
owner would be the remaining balance of a year lease incentive published at the time of the initial signing of the lease. No additional PM incentive is paid.

II.c. *Leases Signed Prior to October 15, 2021: The incentives outlined in II are not offered to any homeowner/PM with a lease signed or beginning prior to October 15, 2021.

III. PROGRAM ADMINISTRATION

Summit County & the Town of Breckenridge will administer Lease to Locals as an extension of the Housing Department, SCHA, & in partnership with Landing Locals.

III.a. Administration: We will issue 50% of the owner incentive payment to participating property owner/s 30 days after the lease’s execution date. A second installment of the 50% owner incentive will be issued at the close of the lease, pending compliance checks of the executed lease agreement. All PM incentives will be paid in one installment. 100% at 30 days post the lease’s execution date.

III.b. Lease Compliance: We will review a copy of the signed lease, & all other previously stated required documents, prior to releasing the first incentive payment. Additionally, we will conduct lease compliance checks midway through the lease & at the lease’s completion. We will require proof that the lease is active & in good standing from both the property owner & the tenants during all compliance checks.

III.c. Support Role: We will complete Application Review, Administration, Lease Compliance & Employment Verification. Finance will release payments as requests are approved & sent for processing. We will not provide tenant screening services or security guarantees. These services, & including but not limited to, marketing, listing units, & match making between owners & tenants can be provided by the county’s Property Manager Partners. Owners who do not require property management services can complete all screening, applications & leases & submittals of these documents themselves.

IV ELIGIBILITY FOR HOMEOWNERS

Lease to Locals Application: Homeowners must complete an application & send it to Summit County Housing Department, the Town of Breckenridge or Landing Locals & comply with the following criteria to be considered for the Incentive Program:

Location: The home must be in Unincorporated Summit County or the Town of Breckenridge.

Status: The home must be a legally licensed STR unit prior to 10/15/2021 and be able to provide proof of short-term rentals. If the homeowner applicant has a legal short-term rental, it must be in good standing, meaning all STR Taxes/STR Fees have been paid & the license number provided is current.

Ownership: The applicant must be the owner of the property or able to represent the owner or ownership group legally.

Signed Application with Summit County or the Town of Breckenridge: The homeowner must complete & sign an application & agreement with Summit County or the Town of Breckenridge & agree to comply with the Incentive Program’s rules.
Signed Lease Agreement: The homeowner must sign a lease agreement with qualified tenant(s) working in Summit County.

Successful Midway & Final Lease Checks for Final Incentive: Leases will be checked for compliance via communication with the homeowner/PM & tenants at the midway & final lease marks. Failure to meet lease requirements at either of these points disqualifies the homeowner from additional incentive payments.

Homeowners Renting Only a Portion of Their Home: Homeowners renting out a bedroom(s) in a home they occupy are eligible for the Incentive Program. To be eligible, owners must commit to renting out their spare room(s) for a minimum of five months & have a current STR License. Owners will receive 50% of the incentive funds outlined in the 1Bedroom Incentive Rates Chart in II, regardless of the number of rented bedrooms or tenants.

IV.b Contingency:

Change of Ownership: If a homeowner sells the property during the lease period, the selling homeowner is disqualified from receiving future incentive payouts from the program on the sold unit. The new owners can potentially qualify for the second installment (the 50% balance) of the incentive program if they rent to the existing tenants for the remainder of their lease.

Failure to Comply with Lease: If the homeowner does not meet lease agreements at the midway & final mark, we will work with the homeowner to rectify the situation. If an agreement cannot be reached, the homeowner will be disqualified from receiving the second installment but will not be required to pay back the first installment.

Maximum Incentive: The maximum payment any one homeowner can receive for a one-year period, is $24,000.

V ELIGIBILITY FOR PROPERTY MANAGERS

Lease to Locals Application: PM’s (Property Managers) must complete an application on the owner’s behalf or forward the owner’s completed application listing them as the Property Manager. The PM must be able to provide proof of eligibility to provide the owner with LTR services. The application will be sent to Summit County, the Town of Breckenridge or Landing Locals & comply with the following criteria to be considered for the Incentive Program:

Location: The home must be in Unincorporated Summit County or the Town of Breckenridge.

Status: The home must be a legally licensed STR unit. If the homeowner applicant has a legal short-term rental, it must be in good standing, meaning all STR Taxes/STR Fees have been paid & the license number provided is current.

Ownership: The applicant must be the owner of the property or able to represent the owner or ownership group legally.

Signed Contract with Summit County or the Town of Breckenridge: The homeowner & PM must complete & sign an application & agreement with Summit County or the Town of Breckenridge & agree to comply with the Incentive Program’s rules.
Signed Lease Agreement: The homeowner &/or PM must sign a lease agreement with qualified tenant(s) working in Summit County.

Successful Midway & Final Lease Checks for Final Incentive: Leases will be checked for compliance via communication with the PM & tenants at the midway & final lease marks. Failure to meet lease requirements at either of these points disqualifies the homeowner from additional incentive payments.

V.b Contingency:

If a homeowner sells the property during the lease period, the selling homeowner is disqualified from receiving future incentive payouts from the program on the sold unit. The new owners can potentially qualify for the second installment (the 50% balance) of the incentive program if they rent to the existing tenants for the remainder of their lease. The PM will not be required to pay back their incentive.

Failure to Comply with Lease: If the homeowner/PM does not meet lease agreements at the midway & final mark, we will work with the PM to rectify the situation. If an agreement cannot be reached, the homeowner will be disqualified from receiving the second installment but will not be required to pay back the first installment.

VI ELIGIBILITY FOR TENANTS

Lease to Locals Application: All members of a household must complete an Employment Verification form. The Homeowner or PM will send this to Summit County, the Town of Breckenridge or Landing Locals & comply with the following criteria to be tenants in the Incentive Program:

Work in Summit County: At least one tenant in the household must work at least 30 hours per week for an employer based in the Summit County for unit sizes 1Bedroom or smaller. For units 2Bedrooms & large a Household where number of bedrooms match the number of tenants who work at least 30 hours per week for an employer based in the Summit County is required.

Required Documentation: Each adult applicant in the household must submit the following documentation along with their applications:

- Copy of driver license or other government issued photo ID.
- Copy of two most recent paystubs from all jobs, including par-time & seasonal positions, Employer offer letter from any job(s) started in the last 3 months, Employer verification of employment if the paystubs do not show the hours worked, Self-employment information for ANY amount of Schedule C, partnership or S Corporation income. Self-employment: *You must provide products or services specifically within Summit County – working remotely for an out-of-county employer will likely not qualify*

Household = two or more adults related (family/marriage) OR unrelated but living together in one house.

Tenant = a single adult, 18 years or older, applying to rent a unit in Unincorporated Summit County for use as their primary residence.
VII PROGRAM EVALUATION

Lease to Locals (the incentive program) will be evaluated to ensure community resources are being efficiently utilized. We will produce a program report using the following criteria to measure success & to evaluate whether to continue the program:

- Number of units unlocked/converted as long-term rentals.
- Types of units unlocked (size, location, condo or single-family).
- Program participant surveys (homeowners & tenants).
- Total funds paid by program to owners.
- Number of rentals extended beyond a seasonal (5-6month) lease.

VIII STR SURVEY DATA

Survey participation requests were sent to 788 STR (short-term rental) homeowners to gather data on how and when units are used, what type of income is generated and if owners would consider long-term renting their units. 45% (357) of these owners responded to the survey. The following information has been collected.

VIII.a. SURVEY PARTICIPATION
VIII.b. OWNERS TO BE CONTACTED BY REQUEST

![Graph showing Owner Req's to be Contacted vs. STR Licenses]
VIII.c. TYPE OF PROPERTY USE & PROPERTY MANAGEMENT

- % of Investment Properties
- Total Survey Responses
- % of Owners Using a PM
VIII.d. UNIT TYPES

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>Sum of St</th>
<th>Sum of 1B</th>
<th>Sum of 2B</th>
<th>Sum of 3b or Larger</th>
<th>Sum of 1Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpine Breck</td>
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<tr>
<td>Dillon Valley</td>
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<tr>
<td>French Creek</td>
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<td>Frisco Terrace</td>
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<tr>
<td>Lake View Meadows</td>
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<td>Loveland Pass</td>
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<td>Mesa Cortina</td>
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<td>Peak 7</td>
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<td>Quandary Village</td>
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<td>Summit Cove</td>
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<td>Wildernest</td>
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<tr>
<td>Woodmoor</td>
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<tr>
<td>All Neighborhoods</td>
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</tr>
</tbody>
</table>
VIII.e. GUEST OCCUPANCY & NET INCOME EARNED

[Graph showing guest occupancy and net income earned across different neighborhoods.]

Net Income
Occupancy %

[Bar chart showing net income and occupancy percentages for each neighborhood.]
VIII.f. OWNER USE BY SEASON & TOTAL

The chart illustrates the percentage of owner use by season for various locations. The categories include:
- Owner Summer Use
- Owner Winter Use
- Owner Spring Use
- Owner Fall Use
- Total Owner Use for Year

The chart shows the percentage distribution for each category across different regions.
VIII.g. PREFERRED LEASE LENGTHS