



CITY OF STANLEY

February 9, 2026

Dear Stanley Community Members,

I would like to thank the Stanley community for your interest, guidance, and advice as the City has moved forward with developing plans for our new workforce housing community. We still plan to begin construction this year, and open the housing units for occupancy in 2027. I know it has been a long, and at times frustrating, wait to see the dream of attractive, comfortable, and secure workforce housing become reality.

Once the City approves an option for Northwest Real Estate Capital LLC. to lease the housing site, and then negotiates the final terms of the lease, Northwest will be able to secure the necessary financing to move forward with implementing the housing project. This needs to happen soon in order to complete the final architectural design and engineering work needed to begin construction this spring and summer.

Over the past few months community and city council members have sought clarifications about the proposed partnership arrangement between the City and Northwest, the housing design, occupancy requirements, plans for Phase 2 housing, and many other issues. Most of these questions have been answered in Town Hall and City Council meetings, and in project updates that the City has provided to the community. However, we would like to take this opportunity to repeat answers to some of the most frequent questions as well as address new concerns.

Below are the best answers that we currently have, recognizing that some details still need to be negotiated between the developer and the City through the lease. Negotiating the final land lease will take some time, and the City must be satisfied that the interests of the Stanley community are protected before it signs the lease.

1. **Question:** Will signing the lease with Northwest mean that the City has no control over what is built and how it is managed?

Answer: No. The draft lease states that the “*Tenant (Northwest) has submitted or will submit to Landlord (City of Stanley) for approval comprehensive plans and specifications for the construction of the Improvements (the "Construction Plans").*” It further states that “*in the event (a) Tenant makes any substantial modification to the Construction Plans or (b) Tenant makes any substantial modification to the Improvements at any time after construction of the Improvements, Tenant shall submit modified plans to Landlord for Landlord's approval.*” The lease will specify how the City will exercise control and approval over many aspects of the property and how its interests will be protected. This will include issues such as how the housing will be maintained by Northwest, and how rents will be set and adjusted.



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The City will be the Landlord, and must retain ownership of the housing site in perpetuity as directed by Congress through Public Law 114-46.

2. **Question:** Is the City having someone with experience review the project to protect the City's interest?

Answer: The City has engaged the General Counsel for the Idaho Housing and Finance Association to review all aspects of the lease and financial arrangements to ensure that the City's interests are protected. John McDevitt is a well-respected expert in Idaho housing, development, and financing law. His firm, Skinner Fawcett LLP, serves as counsel to state and local governments, corporations, non-profits, banks, mortgage lenders, and individuals.

In addition, Carissa Connelly (Housing Director for the City of Ketchum), and Jade Riley (Ketchum City Administrator) have been and will continue to assist Stanley by providing guidance on all aspects of the housing project, including land lease, conceptual design, design review, housing affordability, rent structure, public/private partnerships, ensuring financial viability, and housing management. Ms. Connelly and Mr. Riley have extensive experience structuring city involvement in housing projects, protecting city interests, and ensuring that housing meets the long-term needs of communities.

3. **Question:** What is the City's financial obligation for the housing? What if the developer has cost overruns? What happens if the vacancy rate is higher than anticipated and annual revenue projections fall short?

Answer: Phase 1 of the workforce housing project is projected to cost about \$9.6 million. This could change slightly because the developer is refining the design of some of the buildings and units in response to input from the community and city council. The City is proposing to contribute \$4 million from the HUD grant and a not-to-exceed amount of \$1,265,000 from option tax savings spread over up to 25 years. The City's payments constitute a purchase agreement so that the City will own the housing improvements at the end of the 65-year lease.

The developer has included a contingency in the projected \$9.6 million project costs in case of project cost overruns. The current projected costs and required contingency funds are just general estimates. Once there are final architectural drawings, engineering plans, and bids from contractors, the developer will have much more accurate costs, and the developer and the City will agree on the final budget, as required in the land lease. The contingency reserve will be revised as needed based on the final project budget. The developer will be responsible for cost overruns. The final lease will state that the City has no obligation to provide more than its share of the approved budget, which is proposed to be \$1.265 million, so the developer will have an obligation to manage the project within budget.



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The developer understands that vacancy rates may vary from year to year. Northwest anticipates that the projected rental revenue with a 10% vacancy rate will generate enough operating funds to sustain the project. If the vacancy rate is higher than anticipated and operational revenues are less than needed, the developer will access operating reserve funds or debt reserve funds.

4. **Question:** How are rental rates established? Will rents increase in future years?

Answer: The proposed lease states that “The workforce units shall establish a base rent equal to the amount required for economic feasibility as established by the Tenant (Northwest) and approved by the Landlord (the City)”. Some members of the Stanley community have expressed that they would like to see proposed rental rates be lower, especially for 1-bedroom units. In response, the developer is revising some of the building and unit designs to offer some smaller-sized units, and some units without garages. The final initial rental rate schedule, and criteria for future rental increases, will be included in the lease agreement with Northwest. This will ensure that rental rates cannot escalate dramatically each year. The current proposed language for the lease is that Northwest cannot increase rental rates by more than 4% annually at lease renewal, based on the Consumer Price Index (the national inflation indicator) or other indicators of incomes, without approval by the City. Any increases above 4%, even if based on the CPI, still must be approved by the City. If the net profit exceeds 130% of all expenses, including loan payments, and operations and maintenance costs, the rents will be reduced in the next calendar year. Any adjusted rental rate will be reflected in the unit lease for the next year.

5. **Question:** What assurance does the City have that the housing units will not be rented as vacation homes (AirBnB, VRBO, etc.).

Answer: Congressional law requires that the housing units be restricted to occupancy by the workforce in Stanley and its environs. The land lease with Northwest will stipulate that this requirement be honored by the developer.

6. **Question:** Why is the City working with a developer rather than just hiring a builder and managing the project itself with the HUD grant and option tax funds?

Answer: The \$4 million grant would have to cover the environmental clearances, possibly wetland mitigation, infrastructure (sewer, electrical, public water system, and access roads), architectural and engineering work, as well as the housing itself. Consequently, the city estimates that it would be able to construct about 4-6 units, far fewer than the 18-20 units planned by the developer. We know from every past community survey that 4-6 units would fail to provide a significant amount of housing to meet the projected demand.

The City could use some of its option tax savings to augment the \$4 million HUD grant. However, the City did not want to use its entire \$1.265 million in option tax savings up front for housing because that would leave the City without any significant reserves for



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other needs and emergencies. That is why it proposes to program these funds over up to 25 years into the financial partnership with Northwest. By spreading these expenditures out over several years, the City will continue to draw interest on remaining funds, which could be used to help fund Phase 2 housing for seasonal employees, or for other city priorities. If the City wished to use option tax savings for initial construction without a developer, it would have to commit these funds up front for infrastructure, architectural and engineering work, and construction. It would not be able to spread these costs over up to 25 years, as in the case of partnering with the developer.

If the City were to manage the project itself, it also would have to provide cost-overflow contingency funds, and would have to provide for housing operations and maintenance costs into the future. It would have to hire additional staff or contract with a management company. The partnership with Northwest shifts these requirements to the developer.

7. Question: Will people be able to have pets?

Answer: Yes. The City's intent is that the workforce housing community will be an attractive, comfortable, and desirable place to live. Some Stanley area residents will live there for many years, and all, whether long-term or short-term residents, should feel welcomed.

With best regards,

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