Draft
City of Lawrence
Affordable Housing Advisory Board
June 6, 2016 minutes

MEMBERS PRESENT:	Stuart Boley, Rebecca Buford, John Harvey, Dana Ortiz, Shannon Oury, Tim Stultz, Matt Sturtevant, Nancy Thellman
MEMBERS ABSENT:	Emmanuel Birdling
STAFF PRESENT:	Diane Stoddard, Assistant City Manager, Casey Toomay, Assistant City Manager; Britt Crum-Cano, Economic Development Coordinator; Scott McCullough, Director of Planning and Development Services; Jeff Crick, Planner II; Danelle Dresslar, Community Development Manager; Brad Karr, Community Development Programs Analyst

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Chair Matt Sturtevant called the meeting to order at 11:03 am.

1. Approve minutes from May 9, 2016 meeting
Shannon Oury moved to approve the meeting minutes from May 9, 2016. Dana Ortiz seconded the motion. The motion passed 5-0.

Rebecca Buford and Nancy Thellman arrived.

2. Public Comment
Steve Ozark spoke to the board about his concern about the proposed level of funding for affordable housing in the 2017 Capital Improvement Plan (CIP). He felt funding one-half of 1% of the CIP funds did not indicate affordable housing is a priority. The proposed funding level would bury affordable housing for five years instead of addressing the systematic problem. Ozark indicated he asked City Manager Markus if the proposed level was a starting point for a negotiation, but was told no, Markus was happy with that number. Ozark said he would like to hear from the AHAB if they felt the proposed CIP funding levels for the next five years is adequate; he felt the proposed level of funding is just symbolic and does not address the issue of affordable housing in the community. Ozark said he felt the City could not count on subsidies from the builders to make up the shortfall, the money needs to come from the CIP.

Stuart Boley arrived.

Mike Reading, MO-KS Vice President of the Midwest Association of Housing Cooperatives (MAHC), spoke to the board about the role of co-ops in affordable housing. Reading lives in the Pine Tree Townhouses, which is a 160 unit non-profit corporation designed to provide affordable housing to its members. The MAHC is an advocate for cooperative housing, and Reading offered to be a resource of information on co-ops to the AHAB if the board members have any questions.

Oury indicated when Pine Tree Townhouses converted their loan around five years ago it resulted in an increase of 140 vouchers for LDCHA to be used in the community.

3. Monthly Financial Report - April

Casey Toomay presented the board with the April Financial Report for the AHAB, with no changes from last month.

4. Receive Presentation on Changes to the City's Tax Incentive Policy related to Affordable Housing and Consider Forwarding Recommendation.

Britt Crum-Cano and Diane Stoddard spoke to the board about the current evaluation of the City's Economic Development Incentive policy. Crum-Cano indicated one of the changes to the policy is a possible requirement to have developers of four or more residential units set aside some units for affordable housing. The policy states developers of 4-49 units would be required to set aside not less than 10% of the units to be designated as affordable housing; developments of 50 or more residential units would require a set aside of not less than 35% of the units as affordable housing. Crum-Cano pointed out this change in the policy was not suggested by the City Commission, but instead was suggested by City staff. The policy is currently being reviewed by multiple boards, including the Public Incentives Review Committee and the Joint Economic Development Council. The AHAB is also being asked to review the proposed policy and offer any recommendations.

Stoddard added the policy would only affect the incentives for projects which include residential units, including mixed use developments. Any feedback the AHAB could provide on the affordable housing component of the policy would be helpful to the City Commission.

Buford mentioned the success in other communities of diverting a portion of the taxes received by the City to an affordable housing trust fund when a Tax Increment Financing (TIF) project expires; when the TIF expires and the development begins to pay the full amount of taxes due, a portion of those tax dollars are deposited in the affordable housing trust fund. Buford gave the example of Richmond, VA which puts almost $1 million a year into their trust fund from expiring TIFs. John Harvey agreed with Buford's suggestion, but indicated the portion to be put in the trust fund would have to be stipulated contractually, to avoid any future demands on the new tax dollars.

Harvey cautioned about too many restrictions or fees on any Neighborhood Revitalization Act (NRA) developments; NRA developments are typically awarded to harder to develop projects with slim margins to begin with. Harvey also offered another suggestion of an increase in incentives given to developers who partner with a non-profit housing developer.
Buford agreed the partnership with a non-profit would help the developer to monitor the affordability requirements, which they might not otherwise be familiar with. Harvey indicated the increase in incentives could draw into the community new for-profit developers who are used to working in partnership with non-profit developers.

Oury asked how the various tools proposed in the incentive policy are adjusted with changes to the economy. Stoddard indicated several of the policies do require analytical work to determine the need for assistance in each project, and it is under discussion to add analytical aspects to other policies as well. Crum-Cano said developments are affected by macro-economic conditions, and could also be affected by site specific problems which could increase the costs required to develop. The cost and benefit to the taxing jurisdiction is also examined with a cost-benefit analysis of the project.

Sturtevant asked if there was any prediction or analysis on how many units these changes will bring in or would have brought in over the last 25 years. Crum-Cano said there was no analysis looking back at past years, but the majority of the economic development projects did not contain residential units. Stoddard said the policies have for the most part been reactive policies, which would make it difficult to estimate what kind of new proposals would come to the City; but looking back, there have been some incentivized projects that did contain affordable housing units such as the Poehler and 9 Del lofts. Stoddard said she could also think of four other projects which received incentives, but did not contain affordable units that would have been required to under the proposed policy. Those projects were the 9th and New Hampshire hotel/condos, the new under development apartments at 9th & New Hampshire, the Oread Hotel condos and the Pachamamas apartments, if these contained more than four units. Buford said those four projects could have possibly added

10-15 affordable units, dispersed among higher income units. Buford asked where the 10% and 35% set aside levels came from. Stoddard said the 35% came from the current IRB policy, primarily used to access a sales tax exemption on construction materials.

Thellman asked if developers would be encouraged to build affordable housing if part of the incentive offered included a density bonus. Tim Stultz said personally he felt the City needed a broad base funding source for affordable housing, not new homeowners or new renters paying for it. Buford agreed the cost could be passed on to the new homeowners or renters, but it could also come out of the developer's profit instead of passed on. Buford felt if developers are not making a profit, they will quit building which will lead to land prices going down. Stultz indicated the first lot he purchased was $16,000 and they are now $70,000; he does not believe the market will correct the land price down. Oury said Lawrence has finite land options due to being between two rivers; homebuilders are competing for land against other purposes also. Thellman asked Stultz if his cost calculations would change if increased density was included as an incentive. Stultz said yes, if it was a part of the development code and did not require any additional process or steps to receive it; he said his best tool is increasing density to make units more affordable.

Toomay asked if the board had thoughts on the 15 year period of affordability. Oury said as Low Income Housing Tax Credit (LIHTC) projects mature, the City will begin to see a decrease in the number of affordable units in the community. She felt the 15 year affordability is too short, 30 years would be better, with permanently affordable being great. Buford said a compromise of 30 year affordability to match the State LIHTC program and/or the community has funds readily available to purchase the properties when they are ready to expire from affordability, which would be cheaper than building new units. Oury said according to Fred Bentley with KHRC, the formula the State is required to use inflates the value of the property at the end of the affordability term; they would be better off to wait until the affordability period does expire and then make a lower offer. Buford said in most incentive plans, 35% of the units affordable would be on the high end of the scale; the majority would be in the 15% range nationally.

Boley asked if it would be better for the incentive to be 15% for 30 years of affordability or 35% for 15 years of affordability. Buford said she felt 15% for 30 years would allow better disbursement in new scattered developments.

Sturtevant said it sounds like the AHAB would have 3 recommendations on the affordable housing component of the economic development incentive policy:

- Additional incentives for partnering with a non-profit housing developer
- Redirect a portion of expired TIF project taxes to the housing trust fund
- Adjust the percentage of required affordable units in relation to the years of required affordability

Two other noteworthy discussions were an increase in density and the level of funding proposed in the CIP is not a sustained funding source.

Thellman felt it was important to include the increased density as an incentive for the developers. Scott McCullough said density was a function of zoning and a completely separate process from incentives; it was more practical to think about what the zoning or the plan allows per project and then work with the developer to fit it within the framework. McCullough said if the AHAB would like to discuss increases in density as a system or program, a base community wide density could be established and then developers could purchase increased density on a voluntary basis by donating to the trust fund.

Harvey asked if the TIF recapture was implemented, what could be expected to be received and when would the current TIF projects expire. Stoddard indicated 2 of the projects that are really generating a tax increment, Oread Hotel and 9th & New Hampshire hotel/condo, were both new projects and last 20 years. Toomay asked if the tax redirect would be only for TIFs or for other tools as well. Stoddard said NRA would be another example of that type of tool and the same premise.

The majority of the board agreed to 3 recommendations (no motion or second on the 7-1 vote):

- Redirect a portion of expired NRA/TIF project taxes to the housing trust fund
- Additional incentives for partnering with a non-profit housing developer
- 15% required affordable units for 30 year period of affordability

5. Review of Wish Lists and Public Comments and Consider Forwarding Recommendation.
Staff provided the board with a memo describing the board wish lists and public comments received from the Lawrence Listens online poll. The memo also included a staff wish list for the board members to review and discuss. Each board member was given five dots to vote on their top items to prioritize from the board wish lists.

Boley asked the UniverCity program from Iowa City, IA be added to the board wish list. McCullough explained to the board members how the UniverCity program operated, with the municipality purchasing homes in certain areas to maintain an owner-occupied vs. rental balance. Toomay indicated City Manager Markus said the affordable housing aspect of the UniverCity program was an unintended consequence. Boley indicated it would be an intended consequence in Lawrence.

Ortiz asked for an explanation of item #10, Increase current City occupancy limits. McCullough explained in RS zoned districts, no more than three unrelated individuals, not counting children, are allow to occupy a premises; in RM districts, no more than four unrelated individuals, not counting children, are allow to occupy a premises.

Oury said she saw a trend while reviewing the public comments on citizens mentioning tiny houses; she asked what was driving the interest. Thellman said she thought there is a certain population, especially younger, who are interested in living in a very small house. McCullough indicated current zoning accommodates tiny houses, but staff is not seeing a tiny house movement in Lawrence. Oury said she would not like to see a concentrated development of tiny houses, but instead dispersion throughout the city. Toomay asked if building code/zoning issues should be added to the board wish list. McCullough indicated the direction of the wish list was to indicate how money should be spent out of the trust fund, not zoning or code compliance.

Sturtevant asked if any other public comment items should be added to the wish list. Toomay said she noticed several citizens mentioned senior housing, but it was already included on the wish list.

The top five board wish list items after the dot placement were:

- Additional resources (money/land) to increase current efforts of local agencies (9 votes)
- Mixed use developments that include affordable housing (8 votes)
- Purchase of current affordable housing developments to prevent losing to open market (7 votes)
- Additional transitional/permanent supportive housing (6 votes)
- UniverCity program (5 votes)

Ortiz commented all of the top choices were expensive and downstream. Sturtevant asked which was most likely the most expensive. Toomay asked what the cash infusion would be for #6, Mixed use developments that include affordable housing. Harvey said it could be incentive driven; mixed use developments were harder to build, but would have more funding stream options for the developer.

Harvey commented #7, Purchase of current affordable housing developments to prevent losing to open market, would be more of a defensive move to protect units rather than add new units.

Toomay asked the board if they would like to discuss the top three items in more depth to possibly recommend programs for funding. Ortiz said most of these items were long term, not addressing the current problems. Harvey felt #1, Additional resources (money/land) to increase current efforts of local agencies, does address the current problem, but would take time to build the new units. McCullough complemented Habitat for Humanity for providing the most documentation of specific dollar amounts needed to increase the number of units built over the next five years. McCullough said there are great programs currently in the community, but how much demand should be put on different industry segments to help fund additional building; both proactive and reactive incentives should be discussed.

Ortiz said #8, Landlord education to increase the number of available affordable units, could be achieved without spending money by everyone increasing their efforts and spending some time to offer education. Ortiz asked what the current vacancy rate in Lawrence was. Oury indicated the current vacancy rate in Lawrence is 3.1% per Keller & Associates. McCullough suggested the board look at programs which both cost and don't cost money to implement.

Sturtevant suggested the board be prepared to further discuss the top vote getting wish list items at the next meeting, and city staff further describe programs and tools to fund the top items.

6. Other New Business/ Future Business.

Boley asked the board to review the CIP by funding source document. Boley described the volume of money available to be used for affordable housing; the CIP has many large funds listed that could not be used to fund affordable housing.

Toomay gave a description of each of the funds in the CIP, and which would have money available to be used for affordable housing. The water and sewer are large funds already planning rate increases to fund the projects listed in the CIP; no additional money would be available for affordable housing. Toomay said to compare a specific percent of the total CIP five year budget to one priority does not factor in these funds which cannot be used for affordable housing. Toomay also reminded the board the budget projection is a draft five year plan and subject to change; the first year of the plan will be adopted, and the remaining outlying years are just to provide context and will be re-evaluated each year.

Buford asked if the community has identified affordable housing as a priority, where can additional funds come from. Toomay said it is hard to say an item is not a priority just because other line items receive more funding. She said the City Commission has stated affordable housing is one of their priorities, but they also identified infrastructure, public safety and mental health as priorities. Buford asked what the options for additional funding are. Toomay said the general fund, increasing the mill levy, the City portion of the county-wide sales tax that goes into the general fund, the guest tax if the code is changed, and general obligation debt are funds to examine. Oury asked if the general obligation debt included interest that has to be paid back. Toomay said yes there is a cost to debt, but she believed there are times when it is appropriate to issue debt for long term projects, such as a city facility that will last many years. Oury asked if bonds could be used to fund a project such as the UniverCity program. Toomay said there are rules on what types of projects cities on which cities can issue debt.

Harvey asked if the board's next discussion should be to look at what are the options on designated funding streams. Toomay said yes, and the board should have both short term discussions, such as how to spend the money currently in the housing trust fund, and longer term ideas for spending any money put in the trust fund from the 2017 budget. Harvey said the message from the board should be the $300,000 proposed is a completely inadequate number based upon the need and the wish list; the next steps should be how to spread the pain broadly in the community to meet the goal. Harvey felt a dedicated funding stream would have to be part of the equation.

Oury asked what it would take to do a sales tax, like the public transit fund, for affordable housing. Toomay said there is a cap on the city ability to levy a sales tax, but any change would need to go to the voters and likely push the sales tax rate close to 10% in the City.

Boley said this is a starting point, and it is progress even though it is not the progress the board would like to see. He said the board needs to show it can do good things with what it has and increase the credibility of this new advisory board, but felt a sales tax rate of 10% would be too high.

Sturtevant said he would hate to be a cynic, but maybe affordable housing cannot be solved in this community; against other CIP projects it would get voted down. Thellman said they had to consider how far things have come, including a 300% increase for affordable housing in the 2017 budget over what it had been. Oury said she would consider every additional unit as a victory. Boley reminded the board the amount in the budget does not include any incentive programs which could be implemented. Harvey asked if an analysis would show how many units could be built from a change in the incentive policy, and what the options for a dedicated funding stream are. Oury said the next project to exit the LIHTC program in July is 88 units and would cost $2.6 million to purchase.

Toomay suggested during the November/December meetings the board begin discussing the funding sources available; July/August meetings would be used to discuss what to do with the any 2017 budget money put in the housing trust fund.

7. Next Meeting.

Toomay said she has not heard back from Ron May about speaking at the next meeting.

8. Adjourn

Thellman moved to adjourn the meeting. Harvey seconded the motion. The motion passed 8-0 at 1:19 pm.

<u>Future Meeting Dates / Tentative Agenda items</u>
July 11 – continue wish list discussion; fund balance discussion; Ron May USD 497 (if possible)
August 8 – tax credit project policy
September 12
October 10
November 14
December 12

These minutes were approved by the Board ____________.