

City of Lawrence

Affordable Housing Advisory Board

April 11, 2016 minutes

MEMBERS PRESENT: Emmanuel Birdling, Stuart Boley, Rebecca Buford, John Harvey, Dana Ortiz, Shannon Oury, Tim Stultz, Matt Sturtevant, Nancy Thellman

MEMBERS ABSENT: None

STAFF PRESENT: Casey Toomay, Assistant City Manager; Thomas Markus, City Manager; Scott McCullough, Director of Planning and Development Services; Danelle Dresslar, Community Development Manager; Jeff Crick, Planner II

Chair Matt Sturtevant called the meeting to order at 11:00 am.

1. Approve minutes from March 21, 2016 meeting

Rebecca Buford moved to approve the meeting minutes from March 21, 2016. Shannon Oury seconded the motion. The motion passed 9-0.

2. Public Comment

Steve Ozark presented the Board with handouts from Justice Matters detailing the 10 Ways Decent Affordable Housing Can Improve Health and a study entitled the "Impact of Affordable Housing on Families and Communities: A Review of the Evidence Base". Ozark commented that the City and community have been looking at the affordable housing issue for years and no real movement was made until this advisory body was assembled. He said there was an impactful presentation at the Justice Matters study session the previous week that used paper dolls to represent the families on the wait list for housing.

3. Comments from City Manager Tom Markus

City Manager Markus said he has heard that the community has been working on the issue of affordable housing for the last 25 years. He said in Iowa City, the same challenges were faced and they had been working on it for 20 years. It is not a unique problem, and it is a nationwide issue. His experience in Iowa City included several projects and programs. Markus said in Iowa City a task force was formed to look at the issue, and it was found that there was an overconcentration of affordable housing in one section of the community, leading to a corresponding social justice concern, so an effort to create a dispersion model so there was better balance in housing arose. Markus commented there are two sides to every issue, and in this case there was a side that thought looking at the concentration and actively pursuing ways to balance that out was the right way to go, and another group that thought that the areas that were seeing the higher concentration was due partly to the fact that the cost of land was less in those areas, making it more affordable from the onset. This conversation led to a discussion of inclusionary zoning, which again brought two sides to the table. One side that was for the idea, and another side, that while not necessarily against it, was not interesting in really advocating for it until other pieces fell into place, such as neighboring jurisdictions buying into the idea as well. Iowa City drafted a map of locations where affordable housing projects could locate and began to look at inclusionary zoning. They started looking at opportunities for development, and through the process determined that if inclusionary zoning was to be a possibility, it was a public policy issue. The public should participate in the discussion. Markus said that inclusionary zoning passed the concern from the public to the private sector, and they were able to tie it to development incentives. Markus said 10% of

projects receiving incentives that involved a component of housing, would be asked for a participation requirement of 10% affordable units. Markus said one project that was an example of this was a lot that the City owned, and the City put out an RFP for development of this lot. Within the competitive RFP, the applicants needed to provide how they would include the 10% affordable housing component, and how they would participate in the community discussion and programs as a whole. In this case, the project called for 300 units, so 30 were marketed as affordable. The developer additionally made a \$1Million contribution to the housing fund to leverage other projects.

Markus said with inclusionary zoning discussion, there was a division in the community about if Iowa City should take the lead and go first or wait for another jurisdiction to move ahead of them. Iowa City decided to move into an area called the River Crossing which was south of their downtown district. The idea was to create inclusionary zoning for that part of the community. State law in Iowa prevented a local government from initiating price controls, so the development of the inclusionary zoning ordinance addressed this issue. The ordinance is still in the stages of adoption in Iowa City. A potential concern with this on a larger scale is the neighboring jurisdictions not adopting similar processes and ordinances, creating an issue of balance for developers. It is a good trial, though, in seeing the impact it could have on affordable housing creation.

Markus said the argument is if a community has decided that affordable housing is a critical public policy issue, they have to do more than talk about it. The money must be found and the processes must be in place for it. The challenge is who pays for it. The approach in Iowa City which made the most sense was to tie it to incentives. Markus commented that the issue of housing needs to be marketed differently. It is sometimes thought of as a one-step solution, and it is much bigger than that. It has many aspects that affect a community such as health care, mental health, and other public issues. He said it is similar to the philosophy of a Housing First model that beginning to create stability in housing is the first step to helping people; it is not just about housing people in an affordable unit.

City Manager Markus indicated he had met with Justice Matters recently, and his message to them was that with an issue like affordable housing, a community is better off ramping up the efforts, instead of going all in with a large dollar amount and finding a situation where the community does not have the capacity to run the programs at that funding level. A manager's job is to manage resources and create revenue streams. An issue like affordable housing needs "wins" and that will move the needle from talking about it to doing it. Models of success in the program need to happen to build upon. A conversation needs to happen with all parties involved, including the realtors and builders. These groups have indicated opposition to the idea of inclusionary zoning. Part of the conversation needs to be where the common ground is, and can a policy agreement be made. This is an evolving conversation all over the country, and the community can be a model of best practices, or they can model themselves after another community. University towns will not be able to avoid these types of conversations and issues.

Markus commented that staff has begun looking at the incentive policy for Lawrence, and he noted that when these discussions went on in Iowa City the developers did not have an issue with the inclusionary zoning being tied to incentives. The developments were typically mixed use, and this is a trend that cities will see more of.

Stultz asked if the inclusionary zoning requirement was only for those accessing incentives. Markus responded that yes, it was only those projects. He said that incentives were different in Iowa than in Kansas, and in Iowa they had the opportunity to use this strategy for the purpose of affordable housing. He said it was mostly TIFs in Iowa, and the process included a gap analysis of the project and the gap was incentivized. If there is an affordable housing element to the project, the gap was larger. Additionally, sometimes the inclusionary zoning requirement in the incentive package steered developers away from requesting incentives. Stultz asked if the incentive packages existed prior to the addition of inclusionary zoning. Markus said yes, that the TIF already was being utilized. He said that there was a much more liberal use of incentives in Iowa than in Kansas, though that could vary from community to community. This created a dynamic that required that a competitive disadvantage not occur.

Thellman said she appreciated City Manager Markus' desire to engage with the realtors and the builder community, as if feels as there is a wide gap sometimes, and it is great to begin that conversation with all the parties. Markus said a community cannot move forward without communication and collaboration. He added that builders do a lot of things that they are not credited with in regard to social justice issues, and conversation brings the opportunity to bridge the relationship for all parties. There needs to be a connection between economic development and social justice and instead of everyone firing back and forth there should be discussions about how it can all fit together.

Toomay asked Markus about UniverCity in Iowa City. Markus replied that it was an interesting program, and at times can have an affordability aspect. He said in Iowa City there was a challenge for the closed-in neighborhoods near downtown and the university. The university had very little student housing on campus comparatively speaking, and the amount of rentals in the adjoining neighborhoods was creating an issue of home values and affordability because in Iowa values are created on an income basis. Landlords were taking homes and dividing them up and renting out rooms, thus driving the value of the home up. The city was seeing a shift and there was much more rental in these areas than owner-occupied. Initially, this program was a partnership between the city and the university, and they worked with local lenders and realtors as well. The objective of the program was to re-balance the neighborhoods near downtown and campus. The city would buy a property and invest a maximum of \$50,000 in rehab to bring it to a point that it could be resold. The university was involved because it was a great path for their staff and professors to live in the areas of town near the school. There were wait lists for the properties, and they would sell them to homeowners. There was a 10 year covenant on the property that they needed to remain there as an owner occupant for at least that amount of time. The homes were scattered around the university areas, but it has brought balance back to the neighborhoods. It is a program that might fit in well for a community such as Lawrence; however it still would need an identified funding source. Markus said this was an instance of a program that started off hitting a series of "singles" and gaining victories. Iowa City did not go all in and look for a home run as this program was getting started. He said the university has since backed out of the financial assistance to the program, but it is still being funded by the city with general fund revenues.

Ortiz commented that she was interested in digging more into the funding questions and the marketing piece. She said that a lot of money was being spent in the community on things like ER visits, school assistance, and other items like those. She said there needed to be a more holistic approach to housing. The Housing First model does not always pay attention to the real issues surrounding someone's ability to be successfully housed and to remain housed. Markus agreed and added that an argument could also be made for scattered site housing vs. concentrated housing. He said that scattering the housing in the community is critical.

Markus concluded by stating that every community is unique, and one model will not necessarily fit other communities. Each situation and community needs its own plan. There needs to be a process to reach the goals.

4. Presentation from Dan Partridge, Lawrence Douglas County Health Department.

Partridge gave a presentation on [Housing and Health](#).

Ortiz said that when Family Promise works with families and they are able to find housing in places that are not necessarily surrounded by others who are in the same housing situation as the families a larger difference in their progress is noted.

Oury said that most of the public housing and other agency-owned or developed property is on the east side of town, but the TBRA vouchers can assist a unit anywhere in town.

Buford agreed and said that most of the 75 homes in the Lawrence Community Housing Trust and the homes in the former Homeowners Out of Tenants (HOOT) program are predominately on the east side of town. Tenants to Homeowners has had challenges in finding pockets to infill affordable housing on the west side.

Toomay said the City Manager's Office has been discussing a project to locate these units on a map so the locations can be broken down for discussion purposes.

Birdling noted the importance of scattered site housing.

Buford stated that Lawrence as a community is fortunate that there are not heavily concentrated areas of crime in a certain part of town, but the ability to scatter the sites across the complete geography of the community is still ideal. She said the silver lining is that there are not areas that are dealing with higher crime than others.

Harvey commented that he saw a study recently that spoke to the interaction of categories including housing, employment, and job creation in communities and gave them a risk factor rating from 1-100, with 100 being the worst. Lawrence had a risk factor of 67. Overland Park had one around eight, and most noteworthy was Wyandotte County. Wyandotte County can be thought of as one with large concentrations of poverty and housing issues. The zip code for western Wyandotte is 66019, and it had a risk factor in the 40s. It was rated much higher than Lawrence, which was concerning.

Partridge commented that he once heard a saying that your zip code can be more important to your health sometimes than your genetic code.

Sturtevant said it was painful to hear statistics like that, but the conversations are at least happening.

5. Continued Discussion of Staff Information on Affordable Housing Programs and Funding Sources.

Toomay provided a [document](#) that outlines the budget process overview. Toomay went through the dates on the sheet and explained the process for adoption of the city budget. She indicated that the tax lid legislation was a large driving point of discussions at this point. There will be the ability for public comment on the budget both in the planning stages and prior to adoption, and staff is considering CIP initiatives at this time.

Sturtevant said the takeaway from the discussion of the budget calendar was to figure out where the AHAB fits into the process. Is the role of this body to speak to a dollar amount request, or is it to wait and see what the budget looks like and what is allocated to the Housing Trust Fund and then determine the priorities for spending the allocation.

Buford asked if there is a sense that affordable housing is a priority in the CIP discussions.

Toomay said she was not aware of any projects that spoke to affordable housing needs being received by the City for CIP review. She said it was still not too late for an agency to submit a project at this time. Toomay said there has been clear direction from the City Commission that affordable housing is a priority for the operating budget. The discussions will come as time goes on with regard to where they find the revenue to pay for it from.

Boley said this was a new advisory board, and there are still a lot of things that they need to discuss and learn. It is important for the AHAB to focus on seeing what kind of "singles" they can hit. Instead of saying where the money should come from, the board should be focused on building its credibility with the City Commission.

City Manager Markus noted that it was clear to him from the start that the City Commission has listed affordable housing as a priority, and staff is reviewing the budget and figuring out how resources can be channeled to pay for it. There is a shift in that staff has to consider what they have to work with, and then find a way to work with it. Even though there are priorities, everything still competes for resources. A City has to look at a budget document and consider all the requests; otherwise you end up just amending and changing the document as you go. The tax lid shift creates a real challenge, but it is understood that affordable housing is a priority of this commission.

Sturtevant said there are a lot of moving pieces to this issue and the main question is what is the role of the AHAB? One of the assigned tasks was to talk about revenue streams. The AHAB is an advisory board, so he sees that part of the role is to talk to the agencies that already perform these programs in the community and get a feel for how much the community could spend. Sturtevant said they do not want to get in over their heads, and this group can answer those questions. When the decision has been made on the funding the AHAB can be the body that makes recommendations on priorities.

Markus assured the board that the item will not move forward without the input of the AHAB.

Buford said there was an already-established Housing Trust Fund, so they should be both working on priorities as well as looking at revenue streams for the future. Any large scale project will take several years to complete. Those are the types of projects that need to be planned for. She asked if there was the possibility to identify a stream of funding that could turn "singles" into "doubles".

Sturtevant agreed and said that one hit an inning will not score you any runs, but a string of hits will.

Thellman said it was important for the AHAB to support the City Commission and assist them with identifying a revenue source. Policy advising will be a very important role of this group as time goes on.

Boley stated that it was part of the charge of this group to identify revenue streams, but they just are not prepared to do that for this budget cycle. As the board and their identity develop, they will be more capable of doing this moving forward.

Toomay asked if everyone was in agreement that it would be beneficial to see what the budget looks like this year and move forward with the process from there as opposed to submitting a dollar amount request.

Sturtevant said that was correct, and they would continue to discuss the bigger picture and who else needs to be part of the ongoing conversation.

Toomay said that then for 2017 the group would not submit a budget recommendation, but rather would see what was allocated to the Housing Trust Fund then work to recommend project funding for that line item. She said for 2018 the group would have time and experience under their belt and would be in a better spot to make a dollar amount recommendation. Toomay handed out a [document](#) that lists the potential revenue streams that staff had previously discussed with the board and broke those items down to show which group will end up paying for each category. She also provided a handout to show the breakdown of general fund activity for both revenues and expenditures so the committee could see what the general fund is composed of. She said if the group wished to pursue the general fund as a revenue stream, the city would have to decide who gets cut and how those resources will be freed up.

Stultz asked where the system development charges went. Toomay responded they went into the Water and Sewer fund. The system development charge allows you to connect to the system that has already been built. The charges for doing that go back into the infrastructure in which you are using.

Toomay went down the list and explained that the .55% special sales tax is a tax that will sunset in 2019, so those taxes will go back to the voters in 2018. This is a primary funding stream for the Transit System, as well as infrastructure. Neither of those needs are going away, so that discussion will need to take place if a priority for the tax revenue has changed. Toomay said visitors pay a guest tax on hotels, and the current rate is 6%. Boley asked if there was a limitation on the use of those funds. Toomay said yes, that it needs to be routed toward convention and visitor-type activities or economic development, but the governing body can also direct where those funds shall be spent.

Boley asked that the specifics be checked on that item because he thought it was specific to other governmental uses that still must be related to tourism.

Toomay mentioned on bond revenues that bond payments were not subject to the tax lid, but bonds can require an election depending on the project.

Toomay noted that the city currently does not use TIF set-aside, business registration fees, housing impact fees, demolition tax, mortgage registration tax, or in lieu fees. Some of these the city would not be able to do such as mortgage registration tax per state law, but others can be explored as potential sources.

Birdling asked about sign fees.

Toomay said there are any number of fees that can be charged for things like that. She said that if a fee is charged, the revenue must go back into that activity, or it is no more than a tax. There needs to be a good nexus with what the fee is being charged to and what it is going for after it is collected.

Markus said there needed to be consideration given to the cost of administering a new fee. The net return will be higher in established programs.

Stultz said it should be noted that the chart shows that the developer will pay for the impact fees. He said that while the developer will write the check, that cost will likely be passed along to a tenant or a homeowner, adding to the cost of housing.

Toomay said she would note the spreadsheet to indicate there was the large potential for a pass-through of those fees.

Toomay referred to the final handout which looks at the [Housing Trust Fund balance](#). She noted the \$100,000 revenue item for the parking rent will not be included going forward as it was associated with the Eldridge Hotel expansion, and as of this point that project is not moving forward. The donation listed on the document was from Sturtevant's congregation, and the projection of \$75,000 is coming from a developer pledge associated with the Pachamama's redevelopment. There is also one additional donation that is yet to be received for KU basketball tickets. The next report in May will show these adjustments.

6. Other New Business / Future Business

There was no new business regarding affordable housing topics.

7. Next Meeting – Discuss Tax Credit Application Process and Role of AHAB

The next meeting will be May 9, 2016. The agenda will contain a discussion of the tax credit application and the role of the AHAB.

8. Adjourn

Thellman moved to adjourn the meeting. Oury seconded the motion. The motion passed 9-0.

Future Meeting Dates / Tentative Agenda items

May 9 - Tax Credit applications and the AHAB role

June 13

July 11

August 8

September 12

October 10

November 14

December 12