



**Minutes of the Joint
City Council's Finance, Economy &
Veterans' Affairs Committee and
Transportation & Affordable Housing Committee
July 24, 2007**

Minutes of the meeting of the City Council's Joint Finance, Economy & Veterans' Affairs Committee and Transportation and Affordable Housing Committee held on Tuesday, July 24, 2007, 3:00 p.m., in the 3rd Floor Conference Room, Tempe City Hall, 31 E. 5th Street, Tempe, Arizona.

Committee Members Present:

Vice Mayor Hut Hutson, Chair of Finance, Economy & Veterans Affairs Committee
Councilmember Shana Ellis, Chair of Transportation & Affordable Housing Committee
Councilmember Mark Mitchell

City Staff Present:

Neil Calfee, Deputy Comm Dev Manager
Lisa Collins, Deputy Dev Svcs Manager
Kathy Gasperich, Council Aide
Jerry Hart, Financial Svcs Mgr
Craig Hittie, Affordable Housing Supvr
Jan Hort, City Clerk
Gregg Kent, Light Rail Proj Engineer
Glenn Kephart, Pub Wrks Manager
Jayson Matthews, Mgmt Asst
Amanda Nelson, Community Outreach/Mktg Supvr
Fran Santos, Police Patrol Operations
Shauna Warner, Neighborhood Svcs Dir

Guests Present:

Paul Harris, Local Initiatives Support Corp. (LISC)
Joe Pospicil, Neighborhood Advisory Commission member

Vice Mayor Hutson called the meeting to order at 3:04 p.m.

Agenda Item 1 – Public Appearances

Joe Pospicil offered to be a participant in an affordable housing summit. He has ideas on controlling the escalation of pricing.

Councilmember Ellis responded that the public will be invited to participate.

Paul Harris offered the assistance of Local Initiatives Support Corp. (LISC) in planning the affordable housing summit.

Agenda Item 2 –Affordable Housing In Lieu Fee Study

Neil Calfee summarized that staff had approached the committee several months ago with the idea of engaging a consultant to study the concept of creating an affordable housing in lieu fee. The City would collect that funding and apply it toward affordable housing programs.

Craig Hittie summarized that over the last three or four years the affordability gap between low and moderate income homeowners and those seeking to rent has increased dramatically. A professional consultant, David Paul Rosen & Associates, was hired to validate and quantify the affordability gap. He summarized the report.

- Methodology – 6 different prototypes, 3 based on owner/occupied and 3 based on rental.
- For homeowners, the analysis calculates the fee required to provide 5% of the units developed into affordable housing for those earning 80% of the median income.
- For rentals, it was split to require 5% affordable for either those earning 50% of the median income or 60% of the median income.
- The median numbers are identified by HUD annually.
- Limits are adjusted by household size.
- For 2007, the median income for a household of 4 was \$59,100 for the Phoenix/Mesa area.
- For renters, the affordable housing expense is defined as rent plus utilities. For owners, it is defined as mortgage, including principal, interest, taxes, insurance and HOA dues.
- The occupancy standard is two people per bedroom.
- Fees are calculated for owners as mid-rise of 40 units, high-rise of 100 units, and townhomes of 50 units. Fees are also calculated as “gap to price” (for homeowners, difference between market price and amount of mortgage and down payment that the targeted household can afford) and “gap to cost” (the economic cost to the developer for providing a unit).

Mr. Calfee added that Council has been applying a similar concept in an ad hoc fashion in the downtown area and this would formalize the concept and apply it citywide.

Mr. Hittie added that these numbers are the balance between what it costs the developer to offer the unit as affordable, in lieu of the fee which would be the actual cost of developing the unit. It gives the developer a scale to aid in the decision to either offer the units or pay the fee. To the developer, there is no difference in cost. The assumptions for the renter are based on the same concept, split into two categories: 50% median income and 60% median income. These are split into prototype #1 of 100 units, prototype #2 of 500 units, and prototype #3 of 200 units.

Mr. Calfee added that the consultant talked to builders and developers to get this hard data and these are Tempe numbers. The survey was taken to understand the cost.

Councilmember Ellis asked, since housing prices change so much from the time a developer decides to submit plans until it is actually finished, if this fee would be paid when the certificate of occupancy is granted.

Mr. Calfee responded that it would be either a certain dollar amount per square foot or per unit cost. It would be easiest to collect it at the time the building permit is issued rather than when the certificate of occupancy is granted. It would not be cost dependent. Fees would be either square footage or number of units cost based.

Vice Mayor Hutson added that the developer would have to do that to lock in his expenses for his loan.

Councilmember Ellis added that since the HUD dollar amount changes every year, it would affect the charge.

Mr. Calfee agreed and added that staff would have to look at the accelerators or how to approach increasing the fee. The reality is that the gap will not be met. There's no way to impose it on the developer. Understanding that the gap will continue to increase, we would then look to increase the fee at some point.

Councilmember Ellis added that the developers have to declare whether it is owner/occupied or rental. Some of the condos changed from rental to owner and now are changing back.

Mr. Calfee suggested looking at this in terms of the same fee, whether its owner or rental. It might make it simpler.

Councilmember Ellis asked about the HUD definition of affordable housing vs. workforce housing.

Mr. Hittie responded that HUD does not have a definition of workforce housing. Generally, affordable housing and the assumptions made in this report are that 30% of income equals affordable. Families or individuals making between 80 to 120% of the area median would be workforce. Phoenix uses the term "attainable." The funds generated may be something to fill that gap above 80% because the federal funding can be spent for below the 80% area median level. We can't provide workforce or attainable housing with those monies. This might be where we start to create that opportunity for those individuals and families making 80 to 120%. That would be the next discussion should Council choose to implement a program.

Vice Mayor Hutson added that the use of that money should be a future item for the Finance, Economy and Veterans Affairs Committee (FEVA). This needs to be discussed at length before it is taken to Council.

Councilmember Ellis added that the Affordable Housing Summit might help determine the needs.

Mr. Calfee stated that staff has looked at various options. The fee is based on the gross project. There is no statewide mandate so we need to be cautious not to price ourselves out of the market and have developers go other places, but we also want a meaningful contribution. Staff

wanted to start with the analysis to understand what we're talking about. In an ideal world, the gap between what the developer is building and affordability is up to \$59K per unit. Understanding what the range is, staff can recommend what can be done realistically to develop a program that makes sense.

Councilmember Mitchell asked how it would work with the land trust and whether NewTown could be used for some of these projects because they are individually owned.

Mr. Calfee responded that the land trust is one vehicle for creating and maintaining affordability. NewTown has created a program using covenants on the deeds to essentially replicate a land trust arrangement with an equity shared program. That is something that could be discussed at the Summit. There are different models for creating affordability and each has pluses and minuses.

Councilmember Mitchell urged looking for whatever provides the biggest return.

Mr. Calfee responded that this fee has more possibilities because the money is not restricted. It can be used however the community chooses to, whereas the federal funds have strings attached.

Councilmember Ellis asked whether staff's options regarding \$1 or \$2 per square foot would be for the actual unit, or whether it would include common areas.

Mr. Hittie responded that it would be total net square feet, including common area.

Councilmember Ellis asked if it would be same amount for owner/occupied or rental.

Mr. Hittie responded that it would be the same amount.

Vice Mayor Hutson added that would be the easiest way for the developer to know what he is going to pay and it would be easiest way to know what the development fee should be, whether it should be raised or lowered.

Councilmember Ellis suggested looking at what the building fees are compared with other communities to see if the dollar or two per square foot would cause developers to want to develop in another community.

Vice Mayor Hutson stated that staff should form a recommendation after input from the summit, and then go back to the Transportation & Affordable Housing Committee.

Councilmember Ellis added that this is a good discussion to have with the community to get everyone's buy-in.

Agenda Item 3 – Affordable Housing Summit

Neil Calfee summarized that Council directed the committee to discuss expectations and schedules for an affordable housing summit. Staff is also looking for general ideas on how to proceed.

Councilmember Ellis suggested forming a planning committee of staff and other community groups and bringing in organizations from other areas with experience in affordable housing.

Vice Mayor Hutson suggested more than one meeting so the meetings could be shorter.

Councilmember Mitchell suggested setting goals for the summit meetings.

Mr. Calfee added that staff would like to be able to talk to various models. A discussion needs to be held on what is affordable housing. There is the broader question of where are we looking for policy direction and what form do we want that to take.

Councilmember Ellis suggested that one session could look at funding mechanisms and input and how we can gain additional resources for affordable housing. The other session could be for output - how to make sure the dollars get out into the community and are spent in that fashion.

Mr. Calfee suggested a series of discussions.

Vice Mayor Hutson added that it would be important to outline the goals to be accomplished and weigh those things. That will tell how much time is required - whether it is one session or six. Let's accomplish something with each session.

Jayson Matthews, who sits on a City of Phoenix Commission for Housing and Neighborhoods, reported that they are dealing with similar issues. There is a need to determine the target audience. i.e. who do we want to invite: developers, new residents, employers, etc. Affordable housing at planning level is to address the issues associated with affordable housing. For example, if a Planning and Zoning commission is looking at development which happens to be affordable housing, it doesn't get thrown out saying we don't want to bring that element into the City.

Joe Pospicil suggested getting the State legislature involved, possibly through an initiative.

Mr. Calfee agreed that it might be a way to avoid some of the statewide backlash because the transportation corridors provide some unique opportunities that wouldn't affect the growing communities where the traditional power base lies. Also, if we invite everyone to the summit, we might have too many agendas. It's also important how the steering committee is crafted.

Councilmember Ellis added that most neighborhoods in Tempe would rather have an organization like NewTown come in and have permanent affordable owner/occupied housing than have it turned into a rental community. That is an advantage.

Glenn Kephart added that there is a link between transportation and affordable housing. We need to quantify the value added when combining transportation and affordable housing. It adds tremendous value to the housing along the light rail line.

Mr. Calfee added that there is possible inclusionary housing in the light rail corridor and we need to begin to make those links.

Councilmember Ellis stated that she and Mr. Calfee will work together to develop a steering committee to meet next week.

Mr. Calfee added that target dates would be in September.

Agenda Item 4 – Transportation & Affordable Housing Committee August Meeting Date

Cancel August meeting unless needed.

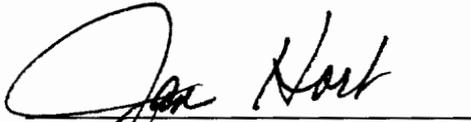
Agenda Item 5 – Future Agenda Items

None

Meeting adjourned at 3:55 p.m.

Prepared by: Connie Krosschell

Reviewed by: Jerry Hart



Jan Hart
City Clerk