

August 9, 2001

TO: Fort Collins City Council Members

FROM: Kay Rios, Chair, Affordable Housing Board

SUBJECT: Focus Group Report on Affordable Housing

On behalf of the Affordable Housing Board, I submit the attached report prepared by the Affordable Housing Board's sub-committee. This work is the result of the Focus Group formed to review the City's affordable housing programs and to determine the obstacles to building more affordable housing in the City. Written comments from focus group members have been included in the report to preclude inadvertent omission of specific concerns. While there is the possibility that some minor issues were omitted, including those where there was no consensus, our attempt was to air everyone's thoughts. All members of the Affordable Housing Board have reviewed the report and we have reached affirmative consensus on its contents.

There is little doubt that the programs in the City are healthy, and we believe that adoption of the attached recommendations listed will make them even stronger. We urge Council to move quickly on the recommendations and, in this way, help the City move forward in its effort for affordable housing.

This report, although it signals the end of the Affordable Housing Board's sub-committee, is not meant as the be-all and end-all for this issue. In fact, the Affordable Housing Board will begin work on measurement tools that will help determine progress. This is already part of the Board's work plan and the members plan to forward something by the end of this fall. In addition, members of the Board are writing and producing a special pull-out guide on affordable housing. It will look at the faces of affordable housing and it will provide information on existing programs and efforts. This is scheduled for printing at the end of September. We will also continue to look for additional ways we can help speed this process and will stay in close contact with Council as we proceed.

We are available for dialogue on the recommendations if Council would find that helpful.

City of Fort Collins
Affordable Housing Board
report on
Current Status of Affordable Housing
and
Recommendations for Improvement
August 9, 2001

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Attachment 1 – Transcript of June 4 Focus Group meeting.

Attachment 2 – Written inputs received from Focus Group participants

- A. Scott Griffin – developer
- B. Becky Orsi - Congregations Building Communities (CBC)
- C. David Danforth – Affordable Housing Board and CBC
- D. Dave Pietenpol – developer
- E. Chadrick Martinez – CARE Housing

Attachment 3 – Sub-committee schedule

Note: Although not attached, the report from the Affordable Housing Mini-Task Forces is available from the City Clerk's office or in the City's Advance Planning Department

Executive Summary

A focus group consisting of local builders, bankers, realtors, developers, representatives of non-profit housing providers, City Staff, and members of the Affordable Housing Board met on June 4, 2001. The purpose of the group was to examine the City's policies, procedures, and incentive programs aimed at the production of affordable housing units.

In the weeks following this meeting, more community representatives were invited to participate in follow-up meetings, and Board members conducted interviews with still other members of the housing community to gain further insight into what works, and what does not work.

Participants were asked to complete a questionnaire, and respond to four specific questions. Staff and Board attendees were asked to remain quiet, as the purpose of the group was to listen, not to debate. Comments made by the initial group were varied, and most tended to be anecdotal. (A transcript of the actual comments made is attached to this report). Focus group attendees were also asked to fill out a questionnaire but the inconsistency of ratings appears to render the survey statistically meaningless.

There is no question that Ft. Collins has enjoyed success in increasing its stock of affordable housing units; it is also quite obvious that this was primarily because of market conditions, very low projected vacancy rates, and the availability of tax credits. This success has been dramatic in the area of affordable rental units, and less effective in the production of for-sale units. Whether this can be maintained into the future is subject to several variables, some within control of the City and some outside of the City's control.

It is quite clear that there is no "magic bullet" to solve the affordable housing problem here. One cannot reasonably claim that any one of the "known" culprits is entirely responsible. City Plan, impact fees, development costs, land and labor costs, and Not In My Back Yard (NIMBY) all deserve a share of the blame. While we don't wish to negate the contributions made by our non-profit groups, the key to the future of affordable housing clearly rests with the for-profit sector's ability to make a return on its investment. This will require across the board reductions in cost and could involve the increase of City-funded subsidy.

This report addresses the problems of affordable housing production, and makes recommendations in four separate areas to solve some of these problems:

- 1. perhaps the most important area discusses the reduction of costs associated with housing production;*
- 2. the creative application of subsidy;*
- 3. an education process where developers, realtors, and social service agencies learn what programs and assistance are available. More importantly, however, is that we "put a face" on affordable housing and realize that the majority of the people who need affordable housing are the very people that make Ft. Collins the Choice City;*
- 4. factors outside the control of the City, including what assistance could be provided by area financial institutions, perhaps in conjunction with their Community Reinvestment Act participation.*

As an aside, we need to recognize and acknowledge that Staff had identified and Staff has already been aggressively pursuing many of the recommended “fixes” needed to streamline the production of all housing units in the City. We will identify those areas where we were informed on Staff’s prior involvement and offer apologies if other areas of Staff initiative were overlooked.

We must remember that affordable housing programs have been fluid over time. Decisions made which were appropriate in, for example, 1994 could easily be inappropriate today. With this in mind, it is important to concentrate on the future, not on the past. We should continually explore new avenues to obtain adequate housing stocks, and should not be afraid to fail periodically.

In conclusion, and for whatever the reason, there is little doubt that the City’s affordable housing program is healthy at this time. Units are being produced, existing units are being retained as affordable when possible, and the scope of available programs is being expanded. If this success is to be continued into the future, traditional practices and policies will have to be adapted. We believe that the key to success lies in broad-spectrum flexibility and acceptance of the concept that it is unquestionably advantageous to the City to meet the affordable housing issue head on.

Summary of Recommendations

We recommend:

- that a Staff-level individual be granted the authority to resolve issues resulting from conflicting regulations and make practical decisions to resolve other compliance issues. (Page 8)
- a 120 day period for review of affordable projects. (Page 8)
- a “one-stop” development review. (Page 8)
- a recommend review and revision of the City’s indemnification bonding for affordable housing units. (Page 10)
- that an affordable housing cost impact statement be attached to any recommendation for building code changes. (Page 10)
- investigation of an ordinance aimed at providing the City, or its designates, with the right of first refusal to acquire projects which have been constructed with public funds, tax credits, or other subsidies. (Page 10)
- extending this fee waiver (pertinent now only to the Housing Authority) to any non-profit group trying to build affordable housing in Ft. Collins either by itself or in partnership with a for-profit group. (Page 11)

- support for a Staff individual assigned the task of “putting a face on affordable housing”. (Page 13)
- that pursuing this support be a responsibility of the Staff individual assigned this project and members of the Affordable Housing Board. (Page 13)
- (that an) educational process be tailored to the producers and consumers of affordable housing, to attempt to educate them as to what programs and assistance currently exists for affordable housing. (Page 13)
- that the City work with area banks to publicize the availability of such assistance for affordable housing producers. (Page 14)
- that Staff investigate the existence of such a group. If such a group already exists, the “clearinghouse” idea should be discussed: if such a group doesn’t exist within the City, a group should be formed. (Page 14)

Background

The City's concern for affordable housing pre-dates the Affordable Housing Board. In July of 1992 Staff, in conjunction with concerned citizens, created four committees to study how affordable housing production could be stimulated in the future. Called the Affordable Housing Mini-Task Forces, this group produced recommendations that constitute the backbone of the City's affordable housing and incentive program today. Some of the more pertinent recommendations include:

1. Allow non-profit agencies and developers producing affordable housing to use Community Development Block Grants (CDBG) to help pay City development fees.
2. Delay collection of development fees for affordable units until issuance of a certificate of occupancy versus at the time that a building permit is issued.
3. Establish a Fort Collins Housing Trust Fund, out of General Funds, with an initial \$250,000 and expand this to \$1 to \$1.5 million within three to five years.
4. Appoint a new Affordable Housing Board to administer the trust fund using a Request-For-Proposals (RFP) approach.
5. Simplify the Planned Unit Development Preliminary plans to require less information, and therefore less initial cost, from developers.
6. Review building codes for cost implications on housing production.

The City has been successful in implementing most of the recommendations of the Mini-Task Forces.

Since the report of the Mini-Task Forces, there has been continued emphasis on improving the affordable housing situation in the City.

The Affordable Housing Board (the 'Board') was established, and immediately sought to develop the parameters for the RFP to allocate Trust Fund monies. The idea of using the RFP approach was cancelled by Council, however, prior to its full development and implementation. Council decided upon a purely administrative program which would use Trust Fund monies to reimburse impact fees paid by affordable housing producers when they received their certificates of occupancy for completed units. While Council's intent to create a purely administrative – non-confrontational - approach to the Trust Fund was well intended, the results of that decision were counterproductive. Trust Fund money was paid on a first-come, first-served basis, and a developer would not know whether reimbursement of fees was possible until the project was completed. This lack of 'guaranteed' reimbursement made it impossible to negotiate with developers for either more affordable units or lower prices on newly constructed units. In effect, the City was paying for something that it would have received anyway and the Board, with Staff concurrence, suggested elimination of the impact fee rebate program in favor of a competitive process to maximize the effect of taxpayer-provided funding. This program was implemented in 1995 and exists today. It should be noted, however, that the Board never totally gave up on the value of impact fee rebates as an incentive to affordable housing production, and investigation of rebates has remained part of Board work plans and discussion for some time.

In February of 1996, the Priority Processing Program for affordable housing was initiated by Council to help mitigate the displacement of the residents of the Pioneer Mobile Home Park when it closed. The City recognized the impact on cost that program review delays caused, and took action to remove these delays as far as affordable housing was concerned by pushing plan reviews for affordable projects to the top of the review queue.

The Board also sought to try to remove some of the emotionalism surrounding affordable housing issues in favor of a quantitative, more analytical approach. While we all “knew” that more affordable units were required, no one really knew how many we had, much less how many we needed. Staff, with Board assistance, developed and published the Priority Affordable Housing Needs and Strategies report in February of 1999 in an initial attempt to ascertain this information.

Prior to the preparation of the Priority Affordable Housing Needs and Strategies report, and during the preparation of the report, both the Staff and the Board realized that current demographic information was lacking. Decisions were being made “best guess” based on the 1990 census information. It is entirely possible that projections made in the study are unrealistic given 2000 census information and the study should be reviewed for its applicability now.

The City certainly enjoyed a dramatic increase in production of affordable rental units. The success of the for-profit rental units, stimulated primarily by tax credits, is undeniable. It should be noted, however, that the primary reason for success in this area hasn’t been the exclusive domain of available tax credits, private activity bonds, or any other external incentives to housing production. The major impetus for production of these units appears to have been the favorable housing market in Fort Collins and the resulting low vacancy rates for units. The not-for-profit sector was active as well, contributing units affordable to people with incomes below that targeted by the for-profit groups. CARE Housing, Neighbor to Neighbor, Mercy Housing, etc all made major impacts on the City.

The City didn’t enjoy the same amount of success with its for-sale programs as it did with rentals. Not-for-profit groups such as TRAC, Habitat for Humanity, and the Fort Collins Housing Authority did provide owner-occupied units, but on a much smaller scale. Production of for-sale units has been hampered by cost and, unfortunately, as previously stated, it appears that there is no single cost item that acts as the culprit. The cost of land, impact fees, production costs, and labor work together to hamper or even eliminate production. There currently are commercial firms investigating or proposing the production of low-end, starter, or work force housing, but they face the same obstacles.

Discussion and Recommendations

The discussions and recommendations section will be divided into the four areas previously identified as barriers to affordable housing production needing City attention: the elimination or reduction of cost, subsidies, public education, and assistance by area financial institutions.

1. Reduction or elimination of cost

Although this section of the report addresses the issue of affordable housing, we believe that there are benefits to the entire community resulting from the efficiency measures mentioned here. If we can decrease production and development costs across the board, all housing efforts, from affordable units for people earning less than 80% of Area Median Income (AMI), through workforce people, earning as much as 125% of AMI, to even luxury units will benefit.

Item One – Development Costs

The costs associated with the production of affordable housing generally lie within a few distinct areas. One of the largest, and therefore more sensitive areas concerns the cost of getting a project through its design stage, through the City's review process, and to developer entitlement to build. Stated in other words, developers pay a great deal of money in "up-front" costs for a project before they have any approval to proceed with construction or, more importantly, before they have any knowledge that their project will be approved.

While there were instances of relatively rapid approval (CARE Housing with their Windtrail project approved in six months), the consensus was that a developer was lucky to get a project – even an affordable one - through the system in two years. With the City requirement to have a project 90% designed just to enter its review process, there is an obvious requirement to pay extensive architectural and engineering fees. One project cited by members of the group required in excess of \$800,000 in costs to be paid before the developer received entitlement to build. Obviously, the cost of "tying-up" this amount of money for up to two years, with no assurance of success, greatly increases developer risk and subsequent cost. As one of the members of the focus group stated, "the more risk I have to take, the greater the reward I expect, and I'm going to get my reward by charging more for my units."

The process that the City uses to review a project came under both scrutiny and fire. While a one-stop design review meeting, where Staff agencies are represented and plans are reviewed is held early on, a project completing this step is far from entitlement. Developers stated that they would be glad to incorporate changes required by Staff as a result of these meetings, if that were the end to the review process and change. Unfortunately, they stated that oftentimes comments made by one Staff agency conflicted with those issued by another, and that no one from Staff had the authority to resolve the issues. The result of these conflicts was that it was incumbent on the developer to determine a "fix" acceptable to multiple Staff agencies rather than having these agencies come up with a compromise "best solution" for presentation to the developer.

Focus group members also indicated that "numerous conflicts exist between Departments, City Plan, engineering standards, and other stakeholders in the development process." One participant

identified a difference in setback requirements from the City's engineering codes and City Plan. Conflicts were also identified between City utility requirements and natural resources requirements that made development more costly.

We recommend that a Staff-level individual be granted the authority to resolve issues resulting from conflicting regulations and make practical decisions to resolve other compliance issues. There needs to be an individual or an office within the City to “break ties” without having to raise every issue to the Planning and Zoning Board, the City Manager, or Council. At the current time, a Staff engineer is assigned to each project as it is submitted and he/she follows that project through the review process. It would appear as if this individual would be the logical choice. We further suggest that, in the case where the resolution to an issue is not immediately apparent to the Staff decision-maker, that supervisory level people be immediately involved to resolve the conflict.

We also believe that the City should take immediate steps to resolve the conflicts in its directives. We recognize that this could be a long, involved process but the result should be one of reducing confusion and eliminating development delays. We believe that this problem will be mitigated, however, with the adoption of the idea of having a Staff-level decision-making authority where one of that individual's duties would be to provide short-term relief from conflicting City directives.

This “streamlining” idea came from the focus group. Discussions with Staff, however, determined that Staff, as well, recognized the bottleneck and was working towards resolution. When the focus group asked why something that was so obvious had not been accomplished, it was told that tradition and inertia prevented meaningful change. Clearly, this issue needs higher level attention.

We recommend a 120 day period for review of affordable projects. The current ‘priority processing’ as an incentive to affordable housing production becomes somewhat tainted if we're still experiencing long delays in review and the developers are forced to absorb the resultant costs.

In talking to both focus group participants and Staff, it became clear that some projects are submitted that are well below required standards. We recognize that a 120 day review period in these cases would be unrealistic even if Staff were to devote all available time to re-engineering and re-design. We suggest that the current concept of “work to yes” be discarded in favor of outright rejection of substandard proposals – whether affordable or not - and an ensuing “three strikes and you're out” rule for resubmission. As part of a rejection for cause, senior Staff review should be included.

We recommend a “one-stop” development review. A developer should be able to submit a proposal, have it reviewed by City agencies, receive recommended and required changes, incorporate these changes, and resubmit the updated proposals back to the City for compliance verification. Barring human error on the City's part, the design review process should basically be over.

We are not concerned that the one-stop processing be conducted in one place, or in virtual space. We are also aware of some of the personnel and logistical difficulties associated with creation of a central development-processing center. We believe it incumbent on the City to get timely feedback on affordable projects back to the developers; how this occurs is best left to the experts.

There was a suggestion by members of the group that the City hire a Staff planner and engineer whose only responsibility would be to process affordable housing projects. This could be a good idea; we recommend, however, that this situation be reviewed after adoption and subsequent evaluation of the 120-day review proviso previously mentioned. We need to evaluate (1) whether or not additional staffing is necessary given the 120 day review process and (2) whether there are sufficient affordable projects in the wings to justify additional hiring.

Two developers in the focus group did not agree on whether affordable projects should be required to be submitted with 50% engineering completion or 90% completion. Each presented arguments for their respective cases which seemed plausible. We believe that the City should revisit its 90% engineering completion requirement as an adverse cost impact on affordable housing

The subject and discussion of impact fees is contained in the “Subsidies” section of this report.

Item Two – Production Costs

While no one on the focus group advocates substandard construction for any structures in the City, especially where health or safety are concerned, there was widespread belief that construction standards demanded by the Building Department or City Plan far exceed that which is either necessary, prudent, or cost effective.

Some items mentioned, either at the focus group meeting or in discussions satellite to this meeting included the model energy code, wind-bracing requirements, contractor licensing requirements, and the anticipated mandating of radon mitigation. There was little agreement that the alleged quality increases associated with these programs were either cost effective or necessary.

City Plan itself drew relatively high marks from the group. People described it as a good plan for how the City should look. The cited problem, however, is that City Plan is a prescriptive document – it specifies in great detail how buildings should be laid out and constructed. The focus group believes that the plan should be transitioned from its current prescriptive form to a “descriptive” form. In other words, give developers a range of options to achieve a desired effect rather than attempting to prescribe everything.

The real point to be made here is that cost implications must be considered seriously and they clearly aren’t at the present time. We hear repeatedly that “it only costs \$50 and over the lifetime of a mortgage that would only add cents” but we forget that we’re targeting an audience where \$50 or a few cents are critical. Over time, these relatively minor cost increases add up to a significant, exclusionary amount.

We recommend review and revision of the City’s indemnification bonding for affordable housing units.

Discussions with Staff indicate that adoption of this suggestion is reasonable. We suggest that Staff be encouraged to pursue this suggestion to fruition.

The City currently requires indemnification for road maintenance and repairs, landscaping completion, etc. While the intent of the indemnification is solid, the resulting costs add to the cost of production. Discussions with local bankers indicate that an entity with exceptionally good credit and history could pay as low as 1% to 2% fees for the cost of City-required indemnity bonding. If we’re looking at a \$1M bond requirement, the fee associated with that requirement is significant and, obviously, will be passed along as a “cost of doing business” even if that cost reduces affordability.

We recognize that there are legal ramifications to the City “self insuring” itself, but would argue that this is a viable possibility which could alleviate some affordable housing costs. The City should exempt affordable housing projects from indemnification requirements.

We recommend that an affordable housing cost impact statement be attached to any recommendation for building code changes. The traditional “it’s only \$50” approach should be abandoned in favor of how much will be gained for the expenditure. We currently justify any changes as providing a better structure or environment – what reasonable person could argue with that? – when we should be investigating the marginal return from additional cost outlays and its subsequent impact on overall affordability.

We don’t mean to be overly sarcastic, but perhaps a somewhat far-fetched example is appropriate: many of the homes in Ft. Collins have gas heaters. Obviously, if a heater exploded, a great deal of primary and collateral damage could occur. Requiring berms around each house, and nets across the top to stop falling debris and airplane crashes, could reduce the collateral damage. We believe that several of the cited programs are effectively these same berms – they are extremely expensive and of marginal utility.

The real bottom line is that there has been no apparent concern for cost as city regulations are prepared or altered, and we cannot allow this to continue into the future or all possibility for affordable housing will be eliminated.

It is common knowledge that it is easier to acquire and protect affordable units than it is to construct them from scratch. For this reason, **we recommend investigation of an ordinance aimed at providing the City, or its designates, with the right of first refusal to acquire projects which have been constructed with public funds, tax credits, or other subsidies.**

The Affordable Housing Board is currently investigating the “Denver ordinance” (Ordinance #757, City of Denver) for its applicability to Ft. Collins. We request rapid legal review of this document for Affordable Housing Board discussion and subsequent recommendation to Council.

2. Subsidies

The diverse make-up of the focus group precludes agreement on the degree of subsidy necessary or proper for Ft. Collins. While there is little disagreement that the single parent, abandoned by the family breadwinner, requires assistance, there is also little agreement that the “American dream” of home ownership for everyone is a “right,” deserving of broad-spectrum taxpayer subsidy.

Regardless of one’s position on the extent of the subsidy issue, it is quite plain that some degree of subsidy is needed if we are to support affordable housing. It is also unclear whether or not prevalent market conditions will allow significant low-income home ownership units to be constructed in the City.

Also unclear is a methodology to insure that taxpayer-provided subsidies are not converted to windfall profit. Habitat for Humanity, for example, has experienced cases, outside of Ft. Collins, where a homeowner received title to the house on one day, and then decided to cash in on the volunteer-provided equity to purchase an automobile.

This section addresses pertinent issues affecting homes targeted at incomes at or below 80% of AMI.

Item One – Impact Fees

As could have been expected, the discussion of impact fees was quite lively. Comments at the focus group ranged from outrage that fees were charged affordable housing units at all, to impact fees being a regressive tax. If there were any consensus on impact fees, it would be that they certainly do not assist in the production of affordable units and that they probably form somewhat of a barrier to housing production. Again, while the scope of this barrier is really undetermined, it clearly isn’t a positive situation.

It was also obvious that there was little understanding of the fees charged. The concept of the police state, regressive taxation led to discussions over whether the fees should be skewed so that larger homes pay a larger share. The group also discussed whether or not a separate impact fee for support of affordable housing, or an outright excise tax on “trophy homes” was appropriate. There was little acceptance of the original intent of the fees, i.e. that they were instituted to pay for the cost of development and were never intended as a form of taxation.

It was clear, however, that the impact fees were clearly under the control of the City, and many felt them to be the major barrier to affordable housing. As previously stated, impact fees are a part of the problem, not the entire problem. As cost cutting measures are discussed, we cannot avoid seeing impact fee abatement as anything but having a positive effect on housing production and public perception of the City’s involvement.

Current practice in the City is to exempt the Housing Authority, and any group in a partnership with the Authority, from certain impact fees. **We recommend extending this fee waiver to any**

non-profit group trying to build affordable housing in Ft. Collins either by itself or in partnership with a for-profit group.

We suggest that the City's financial department conduct a study to see what the actual cost of this proposal would have been had this proposal been made and approved since the inception of the Affordable Housing Board.

There is an argument that fee abatement only requires partnership with the Housing Authority. Unfortunately, and for whatever the reason, other non-profit or for-profit groups might not want to form such a partnership and we simply cannot afford to ignore any source of increased affordable units.

The focus group believes that there would be a beneficial financial impact of approval of the fee abatement proposal and believes that examining past non-profit housing production performance could alleviate this fear of a prohibitive financial impact.

There was no consensus on whether to add a contribution to affordable housing to the current list of impact fees nor was consensus on the efficacy of adding an extra tax on the "trophy homes".

It would appear most equitable that monies for affordable housing could best be raised through a sales tax, to expand the overall amount of eligible contributors from residents to both residents and visitors as well. We believe that it is important to consider visitors, as many people working in the service sector here cater to visitors as well as residents. To have any chance of a sales tax being approved, we will need to establish demonstrate exactly who the recipients of affordable housing and the reliance upon these individuals by the community. This subject will be addressed further in the public education section.

Item Two – Other Subsidies

Although clearly outside the charter of the Affordable Housing Board, there was discussion on primary workforce housing. People whose incomes place them above the 80% AMI point, but who don't earn enough to qualify for conventional loans "fall through the crack". There was discussion that incomes as high as 125% of AMI might require assistance as well.

Discussions with Staff indicate neither CDBG nor HOME funds were available to people earning over 80% AMI. If subsidies were desired for these people, the subsidies would have to come from either the City's general fund or other, perhaps private, sources. This idea will be discussed in the "area financial institutions" section.

3. Community Education

There are two major tenets to the concept of a community education program. The first is the most important: educating the public that the concept of affordable housing doesn't replicate the idea of urban slum and crime associated with the inner cities. Additionally, the people involved are not representative of the "low-life criminal" element associated with these housing projects either on television or depicted in the media. The public needs to understand that:

- (1) Many of the people so vital to the Choice City, schoolteachers, police, firefighters, hospital workers, etc. currently qualify as low income.
- (2) Having these people commute to work from outlying areas increases area pollution, puts additional stress on City facilities, such as roads.
- (3) Bedroom communities rob an economic element from the City as people tend to shop where they live, not where they work.

The second tenet involves education of the people who are the producers and consumers of affordable housing about the programs currently in existence for assistance.

The City Staff has already identified education as an affordable housing priority, as has the Affordable Housing Board. **We recommend support for a Staff individual assigned the task of “putting a face on affordable housing.”**

We suggest that the City, in conjunction with the Affordable Housing Board, develop and coordinate periodic articles in the media explaining the need for affordable housing, and showing the community’s need for people who qualify for affordable housing. The Affordable Housing Board is putting together a resources guide for publication and local distribution.

Informal discussions with both banking and real estate industry people indicated a willingness to provide financial support for this marketing effort. **We recommend that pursuing this support be a responsibility of the Staff individual assigned this project and members of the Affordable Housing Board.**

We also suggest that some of the opposition to affordable housing might be alleviated if the general population see where affordable projects currently exist. There is a long-standing belief on the Board that people aren’t aware that affordable units are currently in their neighborhoods, and that there is no need for either awareness or concern for additional units coming into the neighborhoods.

We recommend that part of the City educational process be tailored to the producers and consumers of affordable housing, to educate them as to what programs and assistance currently exist for affordable housing.

It was quite interesting to note the degree of ignorance of existing City programs for affordable housing on the part of some focus group members. They suggested a review of City standards to reduce landscaping costs (done), increase down payment assistance (done), initiate or develop a plan for community education (done), and review City Plan for appropriateness (in progress).

We also see a distinct need to extend the education process to area realtors as well, so that they can be aware of, and advise, low-income clients of available assistance.

Staff largely selected the focus group, and Affordable Housing Board members had visions of a group of “ringers” who would only echo and parrot Staff opinions. Such was not the case. Even

this group exhibited a lack of knowledge of current programs, and this highlights the need for additional awareness through education.

We have been in contact with several people who could be considered as the consumers of affordable housing, and their lack of awareness of available assistance mirrors that mentioned previously. “The word” on public programs for affordability is not getting out. We don’t know if this is due to an unwillingness to ask for help through the Housing Authority or other agencies, disdain for requesting “public assistance”, or just ignorance of what is available. These possibilities should be addressed as an educational program is developed. This is what our web site has attempted to do.

4. Area Financial Institutions

Discussions with members of the banking community indicate their willingness to help support affordable housing efforts. The banks acknowledge their Community Reinvestment Act (CRA) responsibilities and seemed eager to discharge their responsibilities. We did mention the relatively high cost of indemnity bonding required by the City and whether the banks would be able to help underwrite these costs for affordable housing projects. **We recommend that the City work with area banks to publicize the availability of such assistance for affordable housing producers.**

Other potential areas for bank involvement would be through issuing revolving lines of credit for developers building affordable projects and by “prequalifying” potential homeowners to provide a pool of qualified people to help minimize the time that new houses sit vacant.

We also suggest that a central clearinghouse for CRA would help affordable housing people, developers, and the banks themselves. **We recommend that Staff investigate the existence of such a group. If it exists the “clearinghouse” idea should be discussed; if such a group doesn’t exist within the City, a group should be formed.** Such a group could help portion out the CRA involvement and make it easier for the banks to comply with CRA.

Attachment 1 – Transcription and minutes of June 4 Focus Group meeting.

Note: this document was scanned from copy provided by the City. We acknowledge that some formatting was altered from the original, but believe the content to be accurately represented.

City of Fort Collins, Affordable Housing Focus Group Notes, June 4, 2001

Kay Rios, Chair
Chuck Wanner, City Council Liaison

Chairperson Kay Rios called the meeting of the Affordable Housing Board to order at 4:05 p.m., at 281 North College Avenue, Fort Collins, Colorado. Board members present included: Chairperson Kay Rios, Bob Browning, Isabel Garity. Staff present: Ken Waido, Maurice Head.

Ms. Rios explained the ground rules: To focus on issues and concerns relating to affordable housing. Staff was not to respond except for clarification of points that were brought up. 30 minutes would be spent on each question. Ms. Rios asked for remaining questions to be e-mailed to her at krios@lamar.colostate.edu.

The subcommittee is comprised of members of the Affordable Housing Board and Congregation for Building Communities. The subcommittee will forward its resolution to Council by the end of July for action by Council and staff.

Ms. Rios posed the first question: The obstacles encountered.

Beverly Hill stated that she has tried to contact people and make arrangements, but has been unsuccessful. Something has been accomplished, but not on her own. The builders are interested in high-end dollar projects. The affordable projects lack profit.

Jim Sell related positive results. CARE Housing across from Rolland Moore Park, start to finish, took six months, which is phenomenal. He cited a feasibility analysis for mobile home communities a year ago; the finding was that they were not feasible economically in Fort Collins, based on many factors. One factor was impact fees. Mobile homes have nearly as much impact on the community as a standard single-family house, so impact fees are the same. It appears that new mobile homes are either not wanted or feasible in Fort Collins right now.

Ms. Hill: Mobile homes are one aspect of a solution but may not, on other side, be an applicable solution. Mobile homes are generally not the end goal of residents. Impact fees need to be eliminated or waived for nice communities, nice homes. Would not be in favor of a mobile home community.

Julie Bruin: The project at Swallow brought out a lot of NIMBY opposition. The original ODP was 144 units. A plan was submitted for 100 units, and 84 were ultimately approved. Staff related it to community input.

Monica Sweere has affordable housing in development. Current obstacles:

1. Entitlement or vesting process, the legal vesting of a plan. In the process of developing this site, there have been major City design issues such as road corridors, causing the developer to go to the drawing board four additional times. If the restrictions were fixed at an earlier point in the process, it would have saved hundreds of thousands of dollars.
2. Conflicting goals between City departments. City Plan is a three-inch document. Engineering and utility standards are contained in three-inch documents- Natural Resources issues exist. Many of these are not in synch or agreement. An example is engineering and planning standards. City Plan allows a utility easement of 7 feet. Utilities require 9. The development moved forward with City Plan in mind. Months and hundreds of thousands of dollars later, the developer found out the Utility Department had different requirements. Alleys have the same standards as streets. Is that sensible, with setback requirements and other street standards?
3. The proscriptive nature of City Plan requires modifications being requested of the P&Z too frequently. No one within Staff has authority to make decisions regarding alterations because of the proscriptive nature of the Code. There is a 90 percent level with the planning process presently. Major *issues* on modifications will now be decided AFTER the plan is done. They should have been decided much earlier in the process, saving a great deal of engineering work and expense. There is a level of perfection expectation, department by department, and those levels may conflict. In a project focusing on affordability, these are monumental obstacles.

Ms. Sweere was asked to explain the "level of perfection."

Ms. Sweere: Example, Natural Resources. Part of her project is along a riparian corridor. The developer is required to retain water on-site even though it is in a floodplain that will likely go away in three years, and there is questionable engineering backing for retaining in a floodplain. The only place is in the riparian corridor. So water must be retained in an area valued by Natural Resources. It is nearly impossible for an engineer to save all the trees in the detention pond. Even though it is nearly impossible, NR says it's part of a natural ecosystem, and every tree is valuable. There is an impossible level of perfection expected in relation to practical considerations.

The project is just north of downtown. Phase 1 is 220 units, half single-family detached, the other half townhomes. The project is \$1.5 million over budget now. It will have at least 10% affordable houses by the City's definition.

Ed Zdenek: Currently involved in a small affordable housing project, 70 units. An obstacle encountered is width of the streets. The requirement is 30-foot streets for parking two sides; 24-foot streets for parking one side. Both are in excess of what is necessary. 20-foot streets would be fine. Many other departments have a part of this decision. The final decision: 30-foot streets. This decision has an economic impact that compounds throughout the process. Whenever a City makes a decision, they err on the side of caution, compounding the problems. The planning went from 20 to 24 to 30, all having an economic impact, all for what seemed to be good reasons, but increasing street width by 50 percent.

Mr. Zdenek cited a similar situation with utility easements. Each needs to line up behind the other. Add them up; there's a rather large setback. He is trying to get shallow lots for higher density, but adding up the easements compounds the problem. Erring on the side of caution costs more money for affordable and other housing. He asked if we can use good engineering standards for a reasonable alternative.

Carl Glaser: "Level of perfectionism" hits home. He has been bringing a project through the city in Rigden Farm, not necessarily as affordable housing. The entitlement process is difficult.

Mr. Glaser cited an example of level of perfectionism: As more density is planned and attempts are made to meet the Planning Department's guidelines for landscaping, trees must be a 10-foot distance from utilities. The utilities are 9 or 10 feet underground, but there must be a 10 ft foot separation between tree and water or sewer line. There is a lot of shifting with drawings to deal with something that small. The requirement is apparently for backhoe access at any point in the future, anytime. This is a very conservative approach given the lack of likelihood that access will have to be attained everywhere along the easement. The level of perfectionism compounds itself through the project through revisions and redesigns.

The Code was designed to be proscriptive, but it is frustrating in dealing with very talented people in the Planning and Engineering departments, wanting to say, "What do YOU think?" and wanting to rely on City staffers' expertise. Answers are generally absent, without going to P&Z for a timely and costly modification. The problems experienced at Palladian can be seen elsewhere.

Mr. Glaser was asked if the rules were known before the plan was drawn; or is the plan drawn and then has to be changed to accommodate the rules that surface? Mr. Glaser responded that sometimes areas are tight. Planning says if headlights will shine down a street, you need more trees there. But they can't go there because of a water line. But you need trees there. The water line was ultimately moved and scrunched. On a 1-to-30-scale drawing, this is moving something 16th of an inch and then resubmitting. Another couple of weeks is involved in that process. It is silly to measure for that level of control on a 1-to-30 scale.

Michelle Jacobs: The concept of City Code is good and Land Use Code is acceptable. but they counteract each other in many instances.

Jim Sell: As density gets greater, the more difficult it is to meet landscaping requirements. You have the home footprint and all the lines to connect to it, requiring setbacks. with little sections left for trees. There is great expense in dealing with this. When Land Use Code was drafted. Utilities was not involved. Developers are paying the price for this now. To go to P&Z. a developer has to prepare a big packet that then presents major risk for minor issues.

Dave Pidenpol is involved in Rigden Farm. It is a very expensive process to get through approval, both in time and money. The first time. a 50-foot frontage lot provided great difficulty to fit in utilities. For instance a 10-foot minimum and 10- foot maximum for water and sewer. He asked the City to make a decision and come back.

In terms of fee waiver. City should look at all legitimate affordable housing projects to receive the same treatment.

City emphasis on rental units for CDBG grants. Grants should address all levels of affordability, not focusing 85% on rental units.

Ms. Rios posed the second question. What incentives could the City offer?

Dave Pidenpol: Expedite projects. To be able to develop a project without the 80- 90% levels of engineering required by City Plan. Sit down with City people who have the power to make decisions. Explore fee waivers. More money for down payment assistance programs for all projects. Encouraging for-profit and nonprofit joint ventures. Have a resource person to assist with covenants, homeowners association, and resources nationwide. Have a consultant for insights of available projects within City.

Jim Sell cited CARE at Rolland Moore. The City wanted it to go through. One of the City staff members made a decision that went against normal policy that saved a lot of time without compromising the City but lubricated the wheels.

Michelle Jacobs stated that the high cost in tap fees and lot price, even before a structure is begun, are a major reason for the lack of affordable housing. ~

Julie Bruin cited some incentives in Loveland on development standards that could be promising, regarding such things as tree issues, footpaths, bridges, and parks.

In response to a question about the Loveland program, Ms. Garity related comparison numbers between Loveland and Fort Collins of units occupied, under construction, in the review process and completed.

Ms. Hill inquired if fee waiver is based upon the percentage of affordable housing units built, should the fees be waived rather than basing it on a percentage. Bob Browning noted that this would encourage developers to develop the absolute minimum number of affordable units in order to escape fees for whole project. Ms. Hill advocated the concept of blending affordable and market-rate units to encourage developers to provide affordable units as well as reduce the NIMBY reaction.

Monica Sweere: We should not confuse the issue of building housing with affordable land development. The problem occurs on the development end, not the construction. More incentives to developers will reduce risk. The risk for developing any project, especially affordable housing, is very high.

Impact fee waivers are good discussion items, but they don't reduce the risk of achieving the entitlement. The timing and risk in achieving that is the greatest impediment and needs to be reduced in risk. The change in entitlement would need to be done across the board, by law. But the City could quicken the timing of all land developments by not expecting strict perfection. The City Council could clean up the entitlement process,

Wishfulness was expressed for someone in the City to step up and ask how can they build an affordable project from an authoritative standpoint. There is no one in authority focusing on affordable housing. P&Z has exclusive authority. This month will tell if there is any incentive at a board level to support affordable housing.

Carl Glaser experienced some incentives of a quick review process, delayed fees, and a few other things when on the West Elizabeth project. Not paying financing costs for permits and fees, and

getting plans through the building department, helps tremendously. The rules tightened up with a new administrator. He had to qualify for low to moderate to get incentives with a buyer on the way. There were no resources to getting the buyer to table first.

Linda Hopkins: It is fairly simple to look at the relative fees from Loveland to Fort Collins. Sometimes fee waiver doesn't have the impact that the cost of risk does. Loveland has 700 units in the pipeline; we have 400. That is indicative of the cost of the process. Risk presents the problem. Individually, the City is very helpful; collectively, they are disdainful of costs. Staff is so overly cautious about appearing to advocate for a developer or a project because the opposing neighborhood or the positioning taken is very extensive. That plays out in the cost of lots. The cost of a lot in Loveland versus Fort Collins is an indication of process costs.

Mr. Pidenpol: There is no magic bullet for affordability. There are numerous profit centers in a project, from seller to 10 developers to builders. The key is to minimize those and do *the* oversight cradle to grave. Why not hire a staff planner in the Planning Department and an engineer in the Engineering Department to move affordable projects through?

In Rigden Farm, the City had good consulting, good advice. One staff planner, one engineer, to take a project, run with it, and make decisions would cut down risk and time.

Jim Sell: Developers are taking risks. Until they get entitlement, it's a big gamble. The Land Use code makes it more onerous to get entitlement because of the higher level of detail and being prescriptive. If someone on staff can't make a decision, other channels have to be gone through. If something could be done in general to get entitlement detail, it would eliminate much of the gamble. When development looks at risk, it looks to maximize earnings. If faced with market or affordable, what's the logical conclusion? Entitlements should be coming more easily and smoothly.

Roderick Knoll from Boulder is an out-of-town developer who would like to come here for affordable housing. Staff has been helpful and encouraging and welcoming. The experience earlier in development cycle was very nice. Issues will become more contentious in the process.

Roger Hara is working closely with staff on a home ownership program and with a developer of 138 units of rental housing under construction at Horsetooth. Staff was incredibly supportive throughout the project. The existing incentives that City offered in delay of payment of fees, processing assistance, and support of obtaining allocation of bond authority, matched up with CHAFA to provide financing, enabled the project.

With regard to home ownership, the statewide perspective is that the City of Fort Collins is doing more with available resources than any other city in the state. More can always be done, but given TABOR and finite resources available from other grant sources, and given the highly competitive environment in going after those limited resources, it will get tougher.

Many suggestions make a lot of sense. Eliminating contradictions and conflicts between opposing and controlling documents to the extent that fee waivers can be afforded; there is a cost attached to those. A fee waived is picked up somewhere else. Unless a decision is made to increase the fees on the market rate units, the cost has to be made up somewhere. Is that an incentive that the City could offer? The market will have to recognize and deal with it.

Carl Glaser: The fee delay has a financial benefit to developer. The project at Rigden Farm is a better project due to staff involvement. It's the process to go through that is so laborious. That just goes to go to point out the talent on staff that would be so valuable if properly utilized.

Mikal Torgerson: Incentives could be built into Land Use Code. Allowing something less than full tree stocking. More dense lots. Smaller caliber trees. Any standard that doesn't compromise health, safety and welfare should be looked at. Developers should be told to look at affordable housing as an option.

Roger Hara: In terms of density, other municipalities are considering shifting from units per acre to bedrooms per acre in order to take account of individuals on-site. A unit could be many things; the number of people generated from the bedrooms is a better indicator of impact.

Ms. Rios posed the third question: What concessions should the City make to encourage developers of affordable housing?

Monica Sweere: There must be a community ethic for increasing stock of affordable ownership. To gain that, we would possibly have to give up something. Giving up that level of perfectionism, especially from a visual standpoint. The notion that all growth should pay its own way is an ideology that should be given up with regard to affordable housing. Everything that doesn't pertain to safety and health should be negotiable.

Linda Hopkins: The City needs to make concessions internally. Every department wants perfection. **If** the City departments would make concessions internally, it would help. There should be an acid test as to City policy. Floodplain restrictions are diminishing the availability of affordable housing, and that ripples through other available places for affordable housing. An impact statement should be made on changes to affordable housing stock.

Jim Sell: A client wants to do affordable housing on a small site, but the density has to be increased. It probably will not be allowed. There needs to be concessions if a project can show feasibility.

Beverly Hill: Density can get so high it creates a problem in itself, so people in the City need to be cautious.

Jim Sell: This project in question does not have appropriate zoning on this particular site. Across the street is of a density similar to make this one affordable. When structured plans and zoning maps are done, no one knows exactly where the lines should be. P&Z will have board members saying, "How can we challenge this?" If it makes sense, it should be allowed.

Dave Pidenpol. There should be a commitment to get public transportation to affordable housing projects. Staff should start an education of who uses affordable housing. There is a community misconception along these lines. The group would include City staff, CSU professors, nurses, and teachers. The public needs to be educated.

Ed Zdenek: The "project" solution does not work. The housing should be integrated more into the community. Staff assistance would be helpful. 20 houses can be scattered through area rather than clumping affordability. The City could help with such a policy.

Carl Glaser: If affordable housing is intermixed through a project, would the entire project benefit from concessions?

Ed Zdenek: Not sure. It should be looked into.

Ms. Rios posed the last question: What concessions must the community make?

Jim Sell: Taxpayers are willing to set aside tax money to buy open space; how about setting aside money to help fellow citizens have their own house? Such money could help with down payment assistance or buying land. It is a better community when there's more diversity in the neighborhood. Land banking is a possibility. Crested Butte requires new developments that a certain percentage will be affordable.

Linda Hopkins: The City has been increasing down payment assistance dollars. More money doesn't mean more selection. For moneys without restriction, could those go toward housing units that were previously rented? If the lease is up, don't wait 90 days to sell the unit to an owner occupant. To reposition neighborhoods from rental to sale, the down payment assistance is needed at the termination of the lease. The community would be grateful to have affordable housing unit assistance if they knew the rentals would be refurbished for sale. The public hasn't been educated as to the people who need more affordable housing units.

The City is trying to accomplish land banking. The City needs to act like a developer and look at the risks engendered by their own process. You can buy a lot, have industry build next to it, and then wonder why it didn't sell. The City must look at all issues.

Julie Bruin: Incentives for employer-assistance housing. Employers could have down payment assistance with tax incentives-

Roderick Knoll: In Boulder, Council is paying close attention to the enrollment level at the university and its effect on prices and rentals. The City is putting more pressure on the university to create its own housing stock.

Ed Zdenek: An ombudsman program would be advisable, for the City to have someone as a proponent for a project so that what he or she says holds water. Let that person have creativity to apply to what the developer can consider. Creative ideas should be facilitated.

Other concepts: Tax credits. Reducing costs for permits and related items. A \$170,00 house can be impacted 50% with financing costs, zero percent loans. An ombudsman can pick up on that and relay it to other interested parties.

Beverly Hill: Are rentals available for ownership? Many are run down and need to be brought up to a standard of living. The \$5,000 from HOME is now \$8,000 to have the same effect.

Roger Hara: Southeast Business Partnership earlier created a model to involve everyone at the table and participating in the process of developing primary housing, work force housing, rather than affordable housing. The partnership represents business interests in Arapahoe County where people making good money cannot buy or rent because costs are so high.

Southeast Business Partnership members include people from local governments, as well as home builders, business owners, developers of rental housing, nonprofits, county and city housing authorities. The partnership has been instrumental in creation of the Douglas County Housing Authority; development of design standards for rental housing as well as home ownership, with participation from aforementioned entities. That organization became the ombudsman for developers in gaining help, technical assistance, and advocacy for their projects

through the process. The Arapahoe County Sheriff was involved for health/safety issues. The effort over the last couple years has brought everyone to the table to participate in the process productively. The partnership created its own 501 (c)(3) to look at ways in which it can become a developer to help fill gaps in the provision of housing where no one else can-

The effort does not involve very low AMI levels. The subsidy is not available for that. The partnership is looking to create affordable housing for wage earners, but it's so expensive that the numbers don't work.

Carl Glaser: There is a desire to have affordable housing intermixed with standard housing. Items with no effect on health and safety should be subject to concessions from the City. If a developer had a 100-unit project with 25% sold to the 70-80 AMI, concessions could be made for entire project, to include trees and streets and impact fees and permits and faster review of plans. There could be blanket benefits to a project if a given percentage of that project was set aside for the 70-80% AMI.

General discussion: What is the minimum percentage that would generate this blanket benefit? Answer: Proportional; the more units that is generated, the greater the benefits. The City is presently at 10%. Impact fees should not be taken up-front, since impact does not occur until the project is built out. The timing of when the affordable housing comes online should be specific in the parameters. It should not be the last part that is put together in the development. The concept is that the affordable housing would have no difference in appearance with the non-affordable housing. The developer could take the money that would go to the bank for interest and instead apply it to affordable housing. The width of the trees, the streets, and everything that was talked about in terms of perfectionism would affect the project tremendously. Compromises should be offered as incentive to the development.

Linda Hopkins: The City had an ombudsman -Linda -for economic development. Goal was to be advocate for businesses doing expansion and had problems and goals. The same concept could be used for affordable housing. If City goals are clear, the City can devote a staff person that then separates out the philosophical concerns. In the current planning and engineering departments, the concepts become vague and the regulations overwhelming.

General discussion:

Beverly Hill: The community could have a small percentage, quarter cent on the dollar, to raise money for subsidized housing according to income. Some people work full-time, do not have ability to purchase housing, and should not be forever forced into rental.

Jim Sell: Such people as teachers and policemen are included in the \$15,000- 40,000 income level bracket. They cannot get into ownership because the market stays ahead. This whole group being forced to rentals is unacceptable.

Monica Sweere: A monetary perspective shows the risk to the developer, Palladian is designated affordable. The fees related to development apply to all units. That deferral alone will save \$130,000 in financing costs, after having already taken the multimillion-dollar risk. The project is \$1.5 million over budget, after project is entitled. In putting the finances in perspective, incentives over risk, there is a huge disparity.

Roger Hara: There are several models for housing trust funds. There can be a transfer of real estate taxes, sales taxes, to go to an affordable trust fund. Boulder raises a million dollars a year

from real estate transfer taxes. Several models have been in existence that work in different ways. In Colorado, due to TABOR, such issues must be approved on a ballot, so public education on the issue is important. The Colorado Affordable Housing Partnership has software, "Making a Case," with a formula to plug in demographic information mentioned here, as with teachers and firemen that is useful on putting a face on people who live in or need affordable housing.

Mikal Torgerson: Look at long-range planning in terms of affordable housing. Do we expand the UGA east of I-25? There is a profound impact on land costs related to growth of the city. Citizens should be made aware of that impact.

Jim Sell: We have a UGA boundary that we're growing into. The City has a requirement for contiguity -no development unless it attaches to existing development. This is not a reasonable policy, applied universally. The northeast part of city has had sewer and water for years. The City annexed hundreds of acres for Anheuser-Busch and other interests. Sewer and water is already there. A subarea plan was done, but unless a development is contiguous to developed units, it's hopeless. That has an economic impact of inflating costs of land. Growth has not stopped but pushed into outside areas. Boulder is an example.

Linda Hopkins: The argument for contiguity is good for expanding into areas where there are none. The purposes of the UGA boundary is saying, "This will be urban." The sequencing is finite within that boundary. To go half a mile to a water line, there should be some latitude. Outside the UGA is where the real cost is incurred. When citizens are driving to bedroom communities, that becomes very expensive for the city.

Ms. Rios asked for final comments. The following statements were made:

Rather than an advocate, have a one-stop development review process, all aspects, with authority to make decisions.

Jim Sell: Each department's restrictions takes weeks to resolve, and restrictions surface on a regular basis. Everyone should be sitting at the same table in making these restrictions and decisions.

City staff does meet for a review. The developer is not allowed to attend.

The City staff does good work and has quality people. It is the processes, not the people that are not working. It happens over and over-

The plans can be presented early in process, in front of everyone, to be looked at in an integrated manner, marked up, and these problems still occur.

Look at the building department and what they require on individual units built and the overall requirements that they have. Under the model energy code, the insulation blankets to go into the basements affect the cost without providing much health and safety for the occupant. The level of perfection may need to be reduced to provide basic housing. Another example: Frame wall bracing and requirements for wind loading. Never having seen a house blow down in the city, why are new regulations costing extra money to accomplish that? There are no footing and foundation inspections by the City anymore; the engineer does that, driving up costs. If the City is too busy, that's good; it means a thriving economy. But then the City needs additional staff. Additional costs to builder are passed to the buyer. Many things could be cut down to make the

houses more affordable. This continually ratchets up the requirements, to cost more and more per house. We should work on the basis of putting roofs over people's heads.

The meeting adjourned at 5:50 p.m.

Attachment 2 –Written comments from focus group members

Please note that the format of the comments changed somewhat when they were “scanned”. We believe that the content remains unchanged.

Attachment 2a

From Scott Griffin:

July 19, 2001 Memo for record: Affordable Housing Task Force recommendations.

I've organized into goals and recommendations, and prioritized each recommendation as follows:

1. Needs to happen for a successful affordable housing program in Fort Collins.
2. Should be adopted as an important part of the Fort Collins' affordable housing program.
3. Consider as a component of the overall affordable housing program.

Development Review Process:

Goals: Reduce cost and time associated with affordable development approval

Recommendations:

Priority 1: Create a single point for conflict resolution within the development review and approval process.

Background: Numerous conflicts exist between Departments, City Plan, engineering standards, and other stakeholders in the development process. There needs to be an individual or office within the City with the authority to "break ties" without having to raise every issue to the City Manager or City Council. The City has tried, without success, to establish an integrated Development Review Center. In lieu of the Development Review Center; Current Planning should be granted the authority to resolve these conflicts.

Priority 3: Consider a time restriction for approval/disapproval within the City system.

Background: One complaint has been the continuous submittal/resubmittal process currently in use. Staff concerns include lack of complete submittals from developers. A pass/fail deadline (for example 120 days) would force complete submittals and limit resubmittal requests.

Financing Affordable Projects:

Goals: Help reduce the risk of affordable development to encourage more participation from the private sector.

Help provide a "supply side" flow of buyers for affordable products.

Recommendations:

Priority 2: Establish a City program to provide recourse on affordable housing loans.

Background: One issue from the lending community is the perceived higher risk in affordable housing. A recourse program would mitigate that risk. On the other hand, the City has already reduced this risk substantially with down payment assistance and other cost reduction measures. A recourse program would ensure the product remains under City oversight and reenters the affordable housing pool.

Priority 1: Provide a "one stop shop" for qualification and education of prospective affordable housing clients.

Background: There are numerous programs already available to assist in work force housing. A single "one stop shop" could bring together each of these programs, educate potential affordable clients, pre-qualify clients with lenders and provide a supply of buyers for affordable housing.

Impact Fees & Bonding:

Goals: Reduce the direct cost of providing work force housing.

Recommendations:

Priority 2: Reduce or eliminate bonding requirements for affordable housing.

Background: Currently the City waives inspection and development fees for affordable project. The City uses bonds to limit City risk for new infrastructure construction. Assuming some risk through reduction or elimination of bonding requirements on affordable projects can directly reduce the cost of providing an affordable product.

Priority 2: Reduce or eliminate street oversizing fees for affordable housing.

Background: Currently the City delays street oversizing fees for affordable projects, but does not waive them. Waiving street oversizing fees will directly reduce the cost of providing affordable housing.

Priority 1: Open exemptions and waivers to all providers of affordable housing

Background: Currently only the Fort Collins Housing Authority (and joint ventures with FCHA) have access to City incentives for affordable housing. Opening these incentives to both non-profit and for-profit providers should help increase the stock of affordable housing in Fort Collin.

Priority 2: Consider a more severe graduated fee scale benefiting smaller homes.

Background: Currently the City uses a graduated fee scale. For example, parkland fees for a 1200 square foot home are \$1075 vs. \$1426 for a 2200 square foot home. Providing an incentive for smaller homes through substantially lower fees will encourage more affordable workforce housing, even without City support. .

Priority 3: Consider a break to smaller and affordable homes in raw water charges.

Background: The City has just raised raw water "cash in lieu of" charges to \$6,500 per acre foot. Adopting a graduated scale would help affordable and work force housing. For example, homes over 1200 square feet could continue at the \$6,500 figure. Homes under 1200 square feet might pay \$4,500 and qualified affordable homes might pay \$2,500.

That's it for my notes – Scott.

Attachment 2b

Please note that the format of the comments changed somewhat when they were “scanned”. We believe that the content remains unchanged.

From Becky Orsi – Congregations Building Community

July 22, 2001

Affordable Housing Task Force recommendations from Congregations Building Community

This document piggybacks on the recommendations made by Scott Griffin. Please see Scott's document for a definition of priority levels 1,2, and 3. We support all of Scott's recommendations, and we would like to add some additional notes.

General Statement:

"While the work of the sub-committee has produced some good recommendations thus far this report should not be considered a final report. There are many issues that the sub-committee simply did not have adequate time to explore fully. Furthermore, we would recommend expanding the expertise currently represented on the sub-committee, possibly forming a task force to further examine these issues.

CBC also supports instituting a benchmark to measure progress. We recognize that it would not be a guarantee by the City but would be used to evaluate how we are doing in reference to stated goals. The fact that both for-profit developers on the sub-committee thought that 200 homes was achievable (and stated that they would commit to building at least that many themselves if these changes were implemented) suggests that having a target to shoot for is better than putting policies in place with no way to measure their success.

Development Review Process:

Priority 1 : Continue efforts to establish an integrated Development Review Center . *Background: This expands on Scott's recommendation for a Development Review Center. The City should regard the Center as a top priority. Until a physical location can be established; set up a virtual, one-stop "development center" using meetings and communication between the various city departments to speed approval of development projects containing workforce housing. Meanwhile, an authority on development review should be established immediately. Also, as development review uncovers conflicts in engineering and planning standards, the authority should amend these as necessary to eliminate conflicts which contribute to delay in approval of development projects and should submit recommendations to Council on updates to the standards.*

Priority 2: Reduce the required engineering completion for initial review from 90%

Background: We feel that 90% is extreme and causes unnecessary risk on affordable housing projects. We can reduce risk for developers if they are able to obtain entitlement earlier, while still abiding to a reasonable engineering standard. There have been suggestions of having this review go back to the original 50% engineering or a compromise of 70% The subcommittee should continue to work with city staff and developers to come to an agreed upon standard

Priority 3: Consider establishing measurable performance standards for development review process.

Background: Development review is understandably not the most desirable task for professionals in a City department. If the City is not already doing so, it should consider performance standards and a rewards system to encourage departments to take more ownership in the success of development review. Using the business principal "What gets measured gets done " the City should establish a reasonable time limit for the review process. This timeframe should be used to determine if more work needs to be done on streamlining the process or not.

Financing Affordable Projects:

Priority 2: Recourse program could be applied to entire affordable housing developments.

Background: Scott recommends a recourse program to mitigate the risk of defaults on mortgages for affordable homes. Perhaps the idea of a recourse program can be applied to an entire affordable housing development. If affordable housing developments are backed by a public fund: private investors will see less risk and be more willing to participate.

Priority 2: City could allow developers who sell units below market rate at a price affordable to a family at 80% of AMI to take the difference between market and sale price as a tax write-off.

Impact Fees and Bonding:

Priority 2: Replace bonding with a fund shared by affordable housing developments or other creative means.

Background: Scott recommends reducing or eliminating bonding requirements for affordable housing. Instead of requiring bonds, the City could require affordable housing developers to contribute to a fund that is shared by affordable housing developments to guarantee infrastructure. Commission a group to work with the city attorney to develop less expensive alternatives to bonding, such as an insurance-type pool.

Priority 1: Enact a law to protect affordable housing from the costs of new regulation *Background: Housing development is tightly regulated: and each regulation adds a little to the cost of the development. The resulting costs to developers make profit margins scarce for affordable housing projects. Council should enact a law that requires anyone proposing new regulations on development to plan for mitigation of any increased costs on affordable housing.*

Public Relations: Goals:

- Educate the public on the importance of affordable housing to the local economy.
- Show the public the face of affordable housing to reduce "NIMBY" attitudes.

Priority 1: Continue and expand public relations efforts around affordable housing. *Background: Maurice Head mentioned that City employee Heidi Phelps is charged with promoting affordable housing as a part time task. We recommend these efforts continue, and that the City consider increasing public relations efforts. Consider employing professional marketing efforts, using mediums such as posters, maps, newspaper advertisements, television programs, and booths at public events.*

Priority 2: Develop a long-term partnership with affordable housing advocacy groups. *Background: Groups such as the Larimer County Affordable Housing Coalition and Congregations Building Community are committed to promoting the rights of all citizens for a decent way of life. Advocacy groups can support affordable housing projects through letters to the editor and turnout at public meetings. A partnership between City staff and advocacy groups will increase the impact of public relations efforts by both parties.*

Attachment 2c

Please note that the format of the comments changed somewhat when they were “scanned”. We believe that the content remains unchanged

From David Danforth:

Meeting Notes: Affordable Housing Board Subcommittee on Primary Workforce Housing

Notes from the meeting of Thursday, June 21, 2001 Affordable Housing Task Force Subject:
Administrative Issues Impacting Development

Cameron Gloss representing the Current Planning Department

Points:

Bonding Issues: Performance bonding on projects is costly. Cost of bonding does not reflect actual loss experience. Scott mentioned that a "pool system" has been suggested, but was not supported by the City Attorney.

Development Review Process: Staff response to development review responsibilities:

1. Driving forces for staff: ease, maintainability. City has no accountability to the larger community for efficiency of (and therefore cost of) development review.
2. Structure: Development review is spread across departments that have no accountability to one another. There is no arbitration authority when departments disagree on development proposals, below the City Manager level. There is no central approval authority or coordination. Staff members have responsibilities beyond development review that may impact processing time and therefore cost.
3. Organization: different departments review different portions of the plan. There is inconsistency in standards, thus what is correct under one purview, is often deficient under another.
4. Homologation of standards was not a part of the City Plan package. Result is that development community and its clients are required to facilitate and financially underwrite the organizational process of homologation of regulations.
5. Specific engineering prior to approval is very high; specifications are 90% complete. This represents a very high cost/risk prior to entitlement.

Suggestions presented:

1. 50%, rather than 90% engineering completion for initial review.
2. 120-day time limit for review completion.
3. Homologation of engineering standards across lines of responsibility within the city.
4. Goal setting based on measurable performance standards for development review process.
5. The establishment of a development review center with authority for resolving conflict arising between city responsibility centers.

June 21.2001 Finance

Suggestions:

1. City can provide a recourse program to buy down interest rates for primary workforce home buyers.
2. City can be a clearing house for loan information for affordable housing.
3. Non-city: banks can provide a revolving line of credit for developers. This would mean a less expensive source of funding for them.

July 9.2001

Density. Leapfrogging. Impact Fees. Bonding Fees. the City's housing budget.

Developable Lands and Natural Resources were all discussed this day. From memory, 1/2 of the discussion was on bonding. Cam McNair stated that he felt bonding requirements were excessive and that room existed to reduce these costs. That left approximately 10 minutes each for the other discussion items. That was insufficient time, of course, but some ideas did come out.

Contiguity rules in the city can drive up the cost of development when land owners realize that they can hold development hostage because they own the "next step" under contiguity rules. This was probably not the intent of the contiguity rules and I think that they should be reworked to eliminate this possibility.

Impact fees are a problem. A lengthy challenge has been raised to impact fees by a group in South Carolina see <http://www.scpolicycouncil.com/pr065.htm> and, another by the National Association of Home Builders:

<http://www.nahb.net/growth-issues/legal-issues/growth-exactions.html>. A study more favorable to impact fees by the DOE can be found at: <http://www.sustainable.doe.gov/articles/sprawl.shtml#-Toc437077624>.

These articles represent the depth of background necessary for a real discussion of impact fees and their use as a policy tool in Fort Collins. As it is, I think this much can be said without erring: Impact fees are a use of police power by the City. To my knowledge there has been no check on that power since impact fees came into being.

I would also observe that the 3-5 minutes the committee has put into this is insufficient to form a recommendation of any kind. My 2 cents is that impact fees are effectively a regressive tax, which well serve an underlying "no/low growth" policy. Their effect on primary workforce housing is to impede its development.

I would observe that there is need for increase in the city's housing budget, but we really didn't talk about that much either. It currently forms a very small portion of the city's overall expenditures. The figures we were given did not indicate if Sierra Land's nearly \$1,000,000 in impact fee mitigation (effectively quadrupling the City's AH budget [less land banking]) is included in the estimate for 2001. I am not clear as to what comprises the \$1.2 million estimate for 2001 except that it seems too little for Sierra Land, what I would expect the powers-that-be to shell out for land banking, and whatever else (down payment assistance?) to all be there. The affordable housing budget moves like a loose cannon on deck. We will do better if we establish specific goals and manage a budget to meet them. As regards primary workforce housing, I would like to suggest a goal of 200 primary workforce homes/year because that was the priority needs and strategies number, although it might well need to be modified by now.

Developable lands/natural resources. I note that the City has acquired, since 1993, 7500 acres (or so) with a value of \$40,000,000 for its natural resources inventory. There are about 13,500 buildable acres remaining. These acres will accommodate 20,000 dwelling units and other stuff. The juxtaposition of these numbers raises many questions about policy and priority. For my part, I think that suggestions such as: GOCO money for affordable housing, or a sales tax for affordable housing are worthy of exploration.

Higher **density** may provide a way to furnish additional primary workforce housing. Clearly the city has, according to the buildable lands inventory, a limited ability to accommodate additional housing. More telling, however, seems to be that builder/developers seek lower density projects. This indicates the wrong kind of incentivization. Alas, except to recommend that we look at density policy again in the light of primary workforce housing needs, I have nothing more specific at this time.

July 12, 2001 Design Standards. An all too brief discussion of the effect of the design standards of City Plan took place. Everybody likes City Plan. Everybody knows that yet more costly building standards are associated with it. Everybody would like everybody to live in a nice setting. I sensed a notion that the City should subsidize those that can't afford it. I don't know about that, but there is an accountability issue here. The city should recognize that its design standards are raising the bar .

Personally, I have nothing to add to Les Kaplan's and Karen Gerard's presentations at this time.

Larry Kendall:

Larry is attempting to get some cost comparison data from homebuilders who are building the same models in different communities in an attempt to improve the read on why building in one community would be at a higher cost than building in another. He mentioned in the course of his conversations with builders that the following points were raised as reasons costs are higher in Fort Collins:

- 1.Lengthy approval time.
- 2.High level of engineering required for a first submittal.
- 3.Bonding.
- 4.Requirement to use Fort Collins licensed framers.
- 5.Delays in inspections.

In addition he mentioned an idea he attributed to Ken Waido: that impact fees be assessed on a "per square mile" basis rather than a "per dwelling" basis. The objective would be to make them less regressive.

He said he did not believe that City infrastructure was growing in proportion to the ever-increasing impact fees collected.

As regards maintaining affordability on homes with extraordinary subsidies (in a home ownership setting) he suggested a deed restriction to a 3% annual increase.

Larry argues that the City's imposition of two sets of impact fees on mother-in-law units associated with single family homes forsakes two opportunities: a rental unit and a more affordable for sale unit (with a mortgage payment offset by rental income.)

/end document/

Attachment 2d

Please note that the format of the comments changed somewhat when they were “scanned”. We believe that the content remains unchanged

From Dave Pietenpol:

Jul-23-2001 14:24 From-THE GROUP +9702829161 T-042 PO02/004 F-258

Hi Bob -

I am struggling to get out of town and don't have enough time to get everything done. However, I will try to put my recommendations down in writing for you.

After listening to all of the dialog I believe that the following points should be made in your report:

- I believe that Council and citizens of Fort Collins need to be educated about who needs affordable housing. They need to be taught that teachers, nurses, social workers, police officers, fire fighters, starting professors at CSU, etc. cannot afford to purchase a home in the community where they work. I strongly believe that the City should lead the way in putting a face on the people needing workforce housing.

- It needs to be stressed that Fort Collins is following in the footsteps of Boulder where affordable housing is rare, if it exists at all. The citizens of Fort Collins must be made to realize the dangers associated with a lack of workforce housing. Since traffic is a hot button for most citizens, people should be made to realize that a lack of workforce housing will increase traffic volumes on the city streets from commuters and that these commuters are not paying for street maintenance and improvements.

- I believe that the City should try to quantify the number of individuals/families needing workforce housing in a comprehensive study which would identify housing needs for all levels of affordable housing. Numbers should be published so that developers could be made aware of the pent-up demand in the various price ranges.

- I believe that the City should sponsor or at least support an agency whose goal it is to train potential workforce homeowners and get them qualified with lenders. Per our discussion, as a developer, I would like to build a house and have a waiting list of trained and qualified buyers.

- I believe that the City needs to understand that the only way to put a large dent in the supply of workforce housing is to get the for-profit developers involved. To get the for-profit developers involved, the risk-reward ratios must be made attractive enough to give developers the incentive to build workforce housing. Some suggestions on how to do this:

- The current approval process is cumbersome, time-consuming and expensive. To encourage affordable development the approval process needs to be streamlined. If

possible, it would be nice for the City to hire a staff planner and a staff engineer whose only jobs are to evaluate affordable projects. The two staff personnel would act as advocates for affordable projects to help push the projects through the various departments. It would be nice if these staff people could make it so the time associated with a formal submittal could be a week.

- - Given the previous comment, the definition of an "affordable" project would need to be revised. Currently, if a project has a 10% or greater affordable component, It is defined as an affordable project. To qualify for the expedited treatment, a project should have a 60% (80%?) affordable component.

- The City staff is, for the most part, a very conscientious and talented group. The City leaders need to foster an attitude among the staff, which encourages them to make decisions and move on. Initiative needs to be rewarded. Bureaucracy needs to be discouraged.

- The City in general needs to reassess its policy of 90% of engineering complete on the first submittal. This is an expensive and time-consuming proposition if changes are made on the project.

- The City should give any developer of affordable housing the same fee waivers as are currently given to the Fort Collins Housing Authority.

- The City reassess the policies in the Land Use Code. For example, Natural Resources is fairly "wealthy" given it's access to GOCO funds. In an affordable housing project, rather than requiring 50-300 feet of setback from a natural area, use the GOCO funds to purchase the setback from the developer of the affordable project.

The City should look at it's policy for bonds for infrastructure on an affordable housing project. Bonds cost money,

The City should investigate ways to give lending institutions incentives to provide the potentially higher risk loans associated with the population purchasing workforce housing. Could the City (or Housing Authority) provide a blanket bond to guarantee loans? In the event of default, the odds are that the repossessed property would be of higher value than the guaranteed loan balance. Could the City require that lending institutions operating within the city limits make 5% (more or less) of their loans to people acquiring affordable housing?

- Could the City somehow utilize GOCO funds to purchase land for open space and affordable housing? That is, could 160 acres be purchased with GOCO funds and 20-40 acres be utilized for affordable housing with the other 120-140 acres remaining open space?

I'm sorry that this is so brief. but I do believe it hit most of my "high" points. Thanks for all of your efforts!

Attachment 2e

Please note that the format of the comments changed somewhat when they were “scanned”. We believe that the content remains unchanged

From Chadrick Martinez

Date: July 24,2001

To: Robert

From: Chadrick Martinez

RE: Affordable Housing Task Force

Recommendations/Discussions

Development Review Process

- One stop shop concept for development review. .
- Better communication between departments.
- One person carrying forward affordable housing application throughout process. .
- Realistic time line for approval and denial.
- Consistency with decision making process given the change or turnover in staff positions. For example, at CARE's Wind trail development the site engineering was approved months prior to breaking ground. However, a new engineer reviewed CARE's plans prior to issuance of permits and requested changes in the pre approved plans. This decision in turn led to additional cost due to delays and reengineering.

Financing

- Create a pot of money that allows for minimal orientation fees and points. .
- Flexibility and expanded underwriting to deal with a variety of developments. .
- Resale provisions or guarantees that help reduce cost of loan. .
- City act as a clearinghouse for loans

Impact Fees & Bonding

- Reduce or eliminate bonding requirements for infrastructure on affordable housing projects on a prorated basis depending upon number of affordable housing units in the development.
- City would assume risk that the roads are completed in an appropriate manner. The risk however is minimal given the fact that the city inspects and approves of new roads or improvements. In addition, as we were told Fort Collins has not witnessed incomplete projects with the exception of Safeway on Mulberry.
- Eliminating bonding requirement would be similar to exceptions made for development review fees. City's code currently allows for exceptions to the 80% and below AMI (Cham McNair comment).
- Review the City matrix in more depth to determine if a graduated fee scale could be implemented providing additional breaks for smaller homes. As we heard, developers have no incentive to build a smaller home when the impact fee can more easily be absorbed in a larger home.

- Allow for higher density developments with allowance for "granny dwellings."

Press Release

- Put out a resource guide on affordable housing. .
- Utilize the Bullhorn for a media blitz.
- Educate community about the need
 - - Case studies of those who need housing and are falling through the gaps.
 - - Past and present efforts by the public, private and non-profit sectors.
 - - Inform community about programs for builders and buyers.
 - - Non-profits write articles about their agencies.
- - Housing video that allows for updated information to be incorporated into the presentation.

Attachment 3 – Sub-committee schedule

Affordable Housing Subcommittee Schedule

<u>Meetings</u>	<u>Dates</u>	<u>Discussion</u>
Focus Group	June 4	General Input from Development Community
Affordable Housing Board	June 7	Update Board
Sub-Committee	June 14	Set agendas for process
Sub-Committee	June 21	Development review process
		Resource person: Cameron Gloss
Sub-Committee	June 28	Finalize comments on development review
		Finance, Community Reinvestment Act discussion
		Resource person (s): Richard Pearson and Georgia Zastrow (First National Bank)
Affordable Housing Board	July 5	Update Board
Sub-Committee	July 9	Density, “leapfrogging”, impact fees, City housing
		Budget, bonding (indemnity) fees, developable lands/
		Natural resources
		Resource person: Cam McNair
Sub-Committee	July 12	Public/Private Partnership, design standards
		Resource person: Karen Gerard, Funding Partners
Sub-Committee	July 19	Employer role and public relations
		Resource person: Les Kaplan, developer
Sub-committee	July 26	Cancelled
Affordable Housing Board	Aug 2	Update
Affordable Housing Board	Aug 6	Comments
Affordable Housing Board	Aug 9	Report distribution to City Council