

**MINUTES
CITY OF FORT COLLINS
AFFORDABLE HOUSING BOARD**

Date: Thursday, July 7, 2016
Location: CIC Room, City Hall, 300 Laporte Ave.
Time: 4:00–6:00pm

For Reference

Jeff Johnson, Chair
Ray Martinez, Council Liaison
Sue Beck-Ferkiss, Staff Liaison 970-221-6753

Board Members Present

Eloise Emery
Diane Cohn
Terence Hoaglund
Jennifer Bray
Curt Lyons
Kristin Fritz

Board Members Absent

Jeffrey Johnson, Chair

Staff Present

Sue Beck-Ferkiss, Social Sustainability Specialist
Dianne Tjalkens, Administrative Assistant/Board Support

Guests

Tasha Weaver, Colorado Housing and Finance Authority (CHFA)
Marilyn Heller, League of Women Voters
Andy Smith, Chrisland Real Estate
Chris Johnson, ED Bike Fort Collins
Chadrick Martinez, FCHA

Call to order: Diane Cohn called to order at 4:00pm.

Agenda Review: No changes.

Public Comment:

Marilyn Heller—P&Z hearing on Oakridge senior housing postponed to July 14.

- AHB did not formally endorse the project. Zoning variance requests. Know need additional senior housing, but not appropriate to make recommendation to P&Z.
- Land Use code.

Andy Smith—Update on Oakridge senior housing. Hearing is next Thursday at 6:00pm. First item on agenda. Curveball before last meeting—opponent made allegations around access to park they do have access to—assists with modification around access to open space. Changing how to address this: Land use code says must provide or have access to 10Ksq ft park. By being member of association thought could do that. However, have enough space to have own park on site. Parking is still an issue, but have done analysis and staff has done independent analysis. Staff is making

recommendation. Seniors do not need as much parking as students. Know there will be opposition and desire additional citizen participation.

- Sue will be at hearing to answer questions on how the project meets affordable housing goals.

Review and Approval of Minutes

Curt moved to approve the June minutes as amended. Jen seconded.
Motion passed unanimously, 6-0-0.

Corrections: 1. Curt’s comment in discussion of land trust, comment on land cost driving everything. 250K lot, million dollar home, not 500K home (page 4).; 2. Agenda Item 3: Kristin’s comment, P&Z hearing page 5, supporting “a project” rather than “the project”; 3. Paginate minutes.

AGENDA ITEM 1: Colorado Housing and Finance Authority—Tasha Weaver

Tax Credit Overview

Tax reform act in 1986, created under Reagan administration. Has bipartisan support: private sector investment and strong public purpose. Most successful equity tool for affordable housing. If want to build affordable rental housing in US need tax credits to make it work. Credits are dollar for dollar against tax liability taken over period of time. Primarily credits are sold to big banks, some insurance companies, and multi-investor funds. Market is strong now. In return for credits, developer gets equity which helps build project. In exchange must have income and rent restrictions and affordability period. Must agree to

1. 20/50: at least 20% of project at or below 50% AMI
2. 40/60: at least 40% of units at or below 60% AMI

Many projects 100% restricted income, because can get more tax credits.

Timeline: bank gets credit period (10 year), there is a compliance period (15 years), and extended use period to minimum 30 years total. 9% tax credit expects 40 year extended use period.

Process

Projects apply for credit, CHFA allocates credits.

9% credit can be used for new construction or rehab. Capped credit based on state population. Very competitive. Can pay for up to 75% of construction costs. Less debt to manage. 9% is the annual credit amount. Large banks motivated to invest to get community reinvestment credit. Willing to pay more than a dollar for a dollar credit. Not many investment options at this time. Also Colorado is getting more investment interest than many other states right now. Equity proceeds are paid out over a period of time/meeting of milestones. Investors holding developers accountable to timelines. If don’t lease out or complete construction, get credit adjustors. Investor owns most of project for first 15 years. Developer gets developer fees. Incentives to build, lease, maintain, and properly income-qualify residents. Developers of conventional get better cash flow with higher rents. Very little cash flow on affordable housing projects, so developers get a fee. Sometimes defer their fee to fill financing gaps.

Non-competitive 4% tax credits are not limited and can be used for new construction or acquisition and rehab of existing units. The treasury publishes a percentage and the developer locks into that. Number is usually less than 4%. Develop much less equity, incur a lot more debt, and must secure other sources of financing. Usually larger projects in metro areas that target higher AMI so can get higher rents. Hard to work unless mostly at 60% AMI. Sometimes have units at market rate as well. Investors are leery of mixed income projects: compliance is more complicated, risk of market rents decreasing, etc. Want to see big spread between 60% and market rate.

Colorado LIHTC is modelled after federal LIHTC. Renewed in 2014. Got disaster credit for two years. 2016 bill passed to extend \$5M in state LIHTC for 3 more years. \$5M in annual state LIHTC available per year. State credits can fill gaps in 4% credits.

How CHFA administers the program and application process

Have awarded 4% credits. Will announce awards for 9% round second week of September. Get letters of intent so know what is coming in. Unprecedented number of 4% applications, received throughout the year. QAP (qualified allocation plan) developed annually after considering public input. Have advisory group as well. Ex: discussing allowing the state credit to be used for acquisition rehab projects. Approx. one application approved for every three received for 9%. Threshold criteria: complete application, third party market study, and full site control. Select projects for awards based on somewhat subjective process. Most states have points system. This system has been more successful. QAP has guiding principles, criteria for approval, and priorities. Principles: Meet diverse affordable housing needs, geographic locations, project types, populations, priorities, etc. Priorities: projects serving homeless, serving persons with special needs, in counties with smaller populations, and/or in counties impacted by natural disaster. Will revisit priorities for 2017 and may change them. Doing a gap analysis to inform priorities. Criteria for approval: market conditions, readiness, financial feasibility, experience/track record of team or partners, proximity to other LIHTC projects, site suitability, project costs. Approval process: staff review, presentation to committee, committee approval, ED approval. CHFA has responsibility to monitor projects throughout affordability period. Compliance requirements: income limits, rent limits, physical condition of project, special rules, low income percentage. If find out of compliance, report to federal government (IRS). If concerns about how being managed (during tax credit period), and applying again, will discuss issues.

Cost to build affordable housing

National issue. Policies to contain costs. Want quality, lasting projects, but want developers to save money when they can.

Other

Showed examples of affordable housing projects that used tax credits. Can overlay with historic preservation.

Starting to see more mixed income projects because market is so strong. Part of guiding principles. Example: In Lakewood will have 20% of units at market rate. Revisiting percentage of market rate allowed to determine what can be most successful. Looking at models and see opportunity to serve a wider population. Many people above 60% AMI still cannot find an affordable place to live.

Ownership Programs

Home ownership program is biggest percentage of what CFHA does. They work with network of participating lenders across the state. CHFA buys and services the loans. Offerings and requirements: FHA and conventional, purchase and refi, 30-year fixed, down payment assistance grants, free homebuyer education, \$1000 minimum borrower contribution, 620 minimum credit score for loans. Down payment assistance is now a grant. Can be layered as long as underlying program will allow it. In most programs can have two homes, but can't have two CFHA loans. Loan production increased 71% 2014–2015. Doing more loans on condos and manufactured housing. Biggest increases coming from the Front Range. Millennials are biggest customer on home ownership side.

Comments/Q&A

- Diane: Why choose 40/60 over 20/50?

- Tasha: Gives cushion over time for sustainability. Can have non-LIHTC units in the same project. Just don't get credits for those units.
- Diane: Do investors pull out after 15 years?
 - Tasha: Typically, yes. Might come back and get rehab credit later on. Expect long term affordability from the project.
- Diane: Always ten years?
 - Yes. Discounted by equity proceeds.
- Jen: Locked into percentage of units affordable?
 - Tasha: Yes. If 100% affordable, must remain for 40 years.
 - Curt: Option to buy out of that and pay penalties?
 - Tasha: Have heard of some investors that are willing to pay the penalty to exit the partnership. Penalties/losses are big incentive not to. Ways to get out after 15 years.
- Sue: 4% with Disaster Relief dollars can work more like 9%
 - Kristin: They receive state tax credits as well.
- Chadrick: Considering tax credits going into equity?
 - Tasha: Yes, considering.
- Diane: Why increase in 4%?
 - Tasha: Equity pricing is so high, investors are willing to pay the price for 4% project, tight rental market.
- Sue: Geographically limited?
 - Tasha: QAP says primary market areas that have already received a credit should be leased up before putting another project in.
- Sue: City Council is only authority that can sell property and appellate body for development review. Policy to not sell a property until development review is complete. At Horsetooth land bank property the City is both the owner and development appeal body, so couldn't completely sign deed over right away. CHFA was able to work with the City in this case. Issue with all land bank properties.
 - Tasha: CFHA looking at precedent to make sure not impeding projects. Try to address these exceptions.
 - Eloise: Does CHFA have to adopt a formal policy when this happens?
 - Tasha: When have a situation that is not in accordance with the plan, can waive the requirements of the QAP. Make sure being consistent, fair and transparent with all applicants.
- Eloise: How did priorities change from prior?
 - Tasha: Have had up to seven priorities. Based on Division of Housing, other housing plans across state, and public input. Get public comment before adopted.
 - Sue: Some that didn't make it?
 - Tasha: Senior, acquisition/rehab, TOD. Not discounting senior projects. When look at pool of projects in a funding round, serve priorities, but also look at guiding principles.
- Diane: Want only eligible costs contained? Or all costs?
 - Tasha: Both. Hard costs continue to increase. Will make recommendations to encourage developers and other groups; will also consider hard limits on costs. In competitive round, if a project is very low or very high without explanation, it will not compete.
 - Diane: This board might be able to select some costs that impact development the City might be able to help with, like fees.
 - Tasha: Fee waivers.

- Kristin: Zoning issues as well.
 - Sue: Waivers haven't been as well received but can continue to talk about smart impact fees.
 - Tasha: Can share information.
 - Diane: Look at examples from around the state that can help Fort Collins.
 - Tasha: City requirements on density, tap fees, minimum design requirements, landscaping, façade, parking, etc.
 - Sue: Have standards to maintain look and feel, but need to look to future as well. Balancing act.
 - Tasha: Opportunity to dialogue for cost savings. Every year 9% credits are serving fewer people as cost per unit goes up.
- Eloise: Get diverse incomes wanting to live in the same community, but when build affordable housing have neighbors who don't want the low income development.
 - Tasha: See both. See some neighborhoods opposed to affordable housing in their neighborhoods, and others that are very open to it.
 - Eloise: Factors?
 - Tasha: Physical location, but even in diverse neighborhoods have seen opposition.
 - Curt: Proximity to services might have an influence.
- Sue: When is CFHA looking at 20/80?
 - Tasha: Fall, with final approval of QAP in September.
- Sue: Standards for mixed use?
 - Tasha: Because of credits have to condominiumize it, like two separate projects.
 - Sue: Commercial is taken out.
 - Kristin: Sourced differently than tax credits.
 - Sue: In Oakridge it is related to zoning. Considering mixed use for land bank properties.
 - Tasha: Know it will be separated out, but want to know how space will be managed, how it will be financed, what the need is, whether investor is comfortable, etc. Have seen some successes, but have seen heavy influence from zoning resulting in vacant retail/commercial space. If impacts developer can negatively impact the project.
- Curt: If inherit home from parent who had homebuyer assistance loan, have to pay it back?
 - Sue: If change name on title.
- Sue: Millennials buying homes later, and smaller.
 - Curt: Finding dream neighborhood, not dream home.

ACTION ITEMS: Can send follow up questions to Tasha after the meeting.

AGENDA ITEM 2: 2016 Agenda Planning—Topics & Speakers

November and December agenda planning should be discussed.

Last couple of pages of Council 6-Month Agenda Planning Calendar have changed to new format. Some affordable housing issues: water and housing affordability. Exclusionary zoning and other barriers topic in December might be good opportunity to check in on water issues.

Comments/Q&A

- Curt: Density and design has more to do with exclusionary zoning than water.

- Sue: Keep December as follow up to October meeting. Will continue to check in on water project.
- Diane: Research reports on senior and housing. Would like to present information.
- Curt: You+2 and unintended consequences.
 - Sue: Fits into exclusionary zoning topic.

ACTION ITEMS: Sue will continue to check in on water project and update calendar.

AGENDA ITEM 3: Other Business

Sheltering Update

- Sue: Winter shelter program this year was not able to accommodate all people who needed shelter. Looking for additional capacity. Pursuing additional overflow at a church and exploring community based sheltering model. Dispersing sheltering opportunities throughout the community. Have 25 churches and nonprofits interested in participating as a site, or providing food or transportation. Is board okay with staff looking at a new model that may require an ordinance and/or update to the land use code?
 - Board is in concurrence with pursuing this option.

Downzoning Map

- Kristin: Existing duplex and four-plex on property that is slated for downsizing. Shows examples of use.
 - Sue: Would new zoning preclude this type of development?
 - Kristin: Multifamily is currently allowed in commercial.
 - Jen: Ex: duplex grandfathered in but if burnt down could not rebuild?
 - Kristin: True. Also prevents single family home owners from creating a duplex.
 - Sue: Is there a reason to close down the opportunity?
- Kristin: Lens of compatibility versus affordability. Need to be the voice of affordability.
 - Diane: Consider writing a memo to Council.
 - Kristin: Would like to see the plan updated before it goes to Council.
- Diane: Have time to have the conversation with Old Town Plan staff.
 - Sue: Can ask them to include AHB comments in their report. Can also follow up with a memo and/or Council comment.

Information Provided in Packet

- Sue: Information provided on rent and income data. Also included in packet was email from Beth Rosen as update on affordable housing projects.

Updates, Liaison Reports & Open Board Discussion

- Jen: Board of Realtors is starting to look into You+2 issues.
 - Sue: Can invite them in at another date.
- Sue: Working on Land Bank Review. Conducting focus groups and open house in September. Work Session in October. Deciding next logical activation site. Can report on BFO progress in September.
- Kristin: Horsetooth Public Meeting—FCHA sent out notices beyond notification area. Were prepared for an open house with themed stations, with experts and recorders, and a

PowerPoint presentation. However, Rocky High did not unlock the doors for the meeting. Held meeting in courtyard, so could not provide information in way planned. 80 people attended. Comments around density, traffic, property values and schools. Documented comments and sent written responses to each. Making changes to site plan based on public comment. Hoping to get positive feedback on changes. People were concerned about having more families and safety in getting to schools. Now working with Safe Routes to School—very positive collaboration. Another neighborhood meeting in August.

- Sue: Heard comment about density as a problem around the university. Not liking the change, even though students are requesting additional density.
 - Terence: Have heard comments on density for 30 years.
- Sue: People got used to the open property at Horsetooth, so must be prepared for opposition when developing land bank properties.
- Kristin: Feelings from residents that concentrating affordable housing in this area.
 - Sue: There are a few but they are all beautiful projects. Also, between affordable housing are market rate projects. Land Bank disposition study said this neighborhood would be easier to work with than those surrounding other land bank properties. Opportunities to solve misconceptions.
- Kristin: Also misconceptions about cost of land and number of units that should be on the land.
- Jen: Short Term Rental Plan (Work Session Tuesday)—In Old Town area, limit to one short term rental per block. From affordable housing perspective, unsure of implications. Licensing of short term rentals included in plan. Assume long term rentals will eventually be included in licensing. People who have already registered and pay taxes will get priority. If more than one, will be a process. Notification process requirements as well. Comprehensive process being recommended. Parking requirements. Not entirely well received by Board of Realtors. Larimer County allows renting a room in primary residence, but does not allow short term rentals.
 - Sue: Materials available online.
 - Sue: How, if at all, does this impact affordable housing?
 - Curt: Talked to Bob Overbeck and Gerry Horak. Shocked that City is allowing up to three short term rentals per entity. Disconnect. These are investors taking away home ownership opportunities.
 - Jen: Airbnb statistics are low for investments. Estes Park is a lot higher. Primary occupancy units are higher. Be cautious of decisions you make when the economy is good, that may cause someone to lose their home when the economy turns down.

Confidential Memo & Public Notice

- Sue: City Attorney's Office can answer questions.

Meeting Adjourned: 6:18pm

Next Meeting: August 4 (will discuss potential change of next meeting date via email)