HOUSING & COMMUNITY DEVELOPMENT COMMITTEE MEETING
November 20 , 2014
5th Floor Conference Room
MINUTES

Committee Members Present: Gordon Smith, Chris Pelly, Cecil Bothwell

Staff Present: Jeff Staudinger, Cathy Ball, Allan Glines, Tara Irby, Shannon Capezzali, Marvin Feinblatt, Jonathon Jones, Blake Esselstyn, Roberta Greenspan, Martha McGlohon

1. Minutes – The meeting minutes from October 2014 were approved. Chris Pelly made the motion to approve the minutes which was seconded by Cecil Bothwell.
2. Updates—Gordon Smith recommended handling updates like the consent agenda of the City Council meetings, with specific questions from the committee members. No questions were raised regarding the following items:

    a. Housing Trust Fund
    b. Eagle Market Place Update
    c. Consolidated Plan Update
    d. Affordable Housing Advisory Committee Update
    e. Lee Walker Heights Process
    f. Villas Update

3. Unfinished Business
    a. Housing Trust Fund Policy Review—Jeff Staudinger stated that the last meeting began a good review of the policies and priorities in hopes of informing the December Notice of Funding Availability. With the Villa situation resolved, there will be a minimum of $212,000 available for distribution. A sale is not likely to happen before receipt of applications, but a solid commitment is expected. Once changes in the policies have been made staff will make sure to share these with applicants.

       Chris Pelly expressed general support of policies. He stated that neighborhoods need to be notified of projects in a timely fashion and wanted to see clarity in the policies to indentify when notification threshold occurs. Not just affordable housing, but feedback coming from the neighborhoods about short notice for projects, such as 10 days before a Planning and Zoning Commission hearing. Gordon suggested that anyone receiving HTF grants be provided a calendar of the neighborhood meetings and notification timetable. Chris commended an unnamed developer in West Asheville as an example of good outreach in the community including posting flyers and hosting meetings. Gordon agreed that if public funds are involved, then the public needs to be involved in the process. He also pointed out that in many cases project developers have been community organizers. Cathy Ball stated that she and Interim Planning Director, Alan Glines, are working through normal planning process to improve outreach and communication. Alan explained that notification happens at the technical review committee level about one month before the Planning and Zoning Commission hearing followed by a second notice should a project reach Council. Tech review is not a public meeting. Cathy pointed out that this would include all projects above level 1, such as conditional zoning, subdivision modification or special use permits. Jeff stated that the target for NOFA to be published is December 4th, with applications to be updated for submission by January 2nd in advance of mid-January HCD meeting. Gordon affirmed that the policies should account for neighborhoods and developers seeking more predictability. Cecil agreed that blindsiding neighborhoods is a concern, but that an interviewee for P&Z remarked that while working in other cities, earlier notification does not change much. Gordon pointed out that the benefit of the policy is that it establishes a process for the public to be involved.

Gordon suggested changing “highest energy efficiency” to “lowest energy cost” to clarify activity near the corridors and separate the green and affordability pieces. Jeff explained that efficiency is reflected through an eligibility determination. As a third tier priority in the HTF, efficiency represents less than 5% of available scoring points whereas it is a requirement for Land Use Incentive Grants. Developers are reporting more efficiency through building codes while third-party certifications simply represent a cost factor in affordability.

Gordon brought up the possibility of providing ultra-low loan rate, 1% or lower, for developers willing to do maximum density projects with affordability. Cecil indicated that would be a strong incentive. Chris stated that it would be worth investigating.

Jeff noted that Chris had previously mentioned homeownership as a priority, but that the HTF has essentially become a rental housing financing tool. Financing is only available for homeownership during the construction phase and cannot be transferred as a second mortgage. There is no advantage to approaching HTF for homeownership if other financing is available. Although market analysis will help, the Committee will need to clarify the homeownership given that developers are reporting that is harder to do single family affordable units due to down payment requirements and mortgage insurance. Financing market is not keeping up with resurging demand for those units. Given limited funds Chris stated his preference to review next year. Gordon suggested keeping homeownership as one of the broad affordable housing options.

Jeff brought the Committee’s attention to the current subordination policy which limits subordination below second lien position when collateral provides adequate protection and never below third. The county will soon ask for subordination to fourth and the Committee has already agreed to subordinate below third on Eagle Market. Gordon pointed out that the subordination policy was changes after “we got burned” and suggested only making case-by-case changes with the option to review it in the future.

Jeff reminded the Committee of the conversation during the last meeting regarding current policy for income qualification. The goal is not to kick families out of rental units because their incomes change, but to review the policy for when a unit’s tenants change. Robin Raines has suggested a statute to guarantee that benefits continue to serve those who need them. The policy would become such that, if a unit has HTF funds at a 60%-80% level, when the unit changes occupants, an income qualified tenant needs to be in the unit. The systems to accomplish this are in place for many other programs, but it would need to be part of the policy.

b. Housing Density in Commercial Districts— Blake Esselstyn stated that since the last time HCD reviewed the item, it had been presented Planning and Zoning Commission, who unanimously recommended approval. Also since HCD's last reviewed Neighborhood Corridor District has been added, but only in effect on Broadway. Existing density set at 24 or 32, if certain incentives are met. Maximum density in other districts could go up to 70 such as in the Highway Business or Regional Business District. The high density, Urban Residential District was also added in 2003 and only applied to specific projects, Larchmont Apartments and Clingman Lofts as examples. It seemed incongruous to staff, to have Urban Residential classification with lower maximum density than Highway Business. This had been brought forward as a wording amendment that would only affect commercial districts. In theory, the Urban Residential Dstrict is a residential district, but only if someone specifically requests to go through review. Other districts could be developed by right. Areas where current maximums are 32 would become 35 if market rate. Maximums for affordable housing are twice that of the market rate. Also, for every two affordable units, a developer would have to provide three extra market rate units. Gordon asked for developer interviews input regarding the ratio. Blake reported that the feedback was positive. Jeff shared that one developer has remarked, "Cash is king. If you want affordable, pay me the difference between market and affordable. Density is not an issue". Blake stated that density in 20's seems to appeal to some developers, as long as land is available. Gordon pointed out that density may appeal more to larger developers outside of the community. Jeff stated that one developer operating in Atlanta determined that Asheville land prices are not too high, but that density would matter in hot markets where people want to live, such as downtown, West Asheville and Biltmore Village. Gordon pointed out that the proposal has been before PNZ, PED, Neighborhood Advisory and the Affordable Housing Committee and inquired who else had reviewed it. Blake added the Coalition of Asheville Neighborhoods and a group of developers to the list. Gordon also requested that the 10% criteria be removed from the staff report for simplicity; given there is general support of the revised proposal with a 20% affordable housing threshold.

Cathy Ball asked what benchmarks the Committee wants for these projects. Gordon responded that the first year accomplishments would be in outreach to developers with prospects in 18-24 months. Blake reported a possible small scale conditional zoning project on Broad Street composed of a small office on the ground floor with 2-3, one bedroom units above. Cecil stated that his type of basic improvement might attract more developers. Cathy indicated that with each policy there will be a need for a standard of measure from the Council. Gordon asked Blake how many units would result if this proposal were used to its fullest. Blake pointed out that land values which exceed building values can be misleading when determining if a property is underdeveloped, but that the development of 10% of the vacant land at the maximum density would result in 2,300 multi-family units. This would yield a potential 23,000 units, with 4,600 affordable, if 100% were developed. Chris identified the maximum densities as guidelines for best-case-scenarios when discussing benchmarks for success and that most projects have unique development challenges. Gordon and Cecil questioned if a 5,000 unit target for the next 8-10 years or 1,000 per year were realistic goals. Jeff reported that the Affordable Housing Advisory Committee's local developer interviews identified land cost and availability as the primary limiting factor for projects.

Chris stated that it might be too soon to set target quantities, but that outreach goals would be appropriate for the next 6-12 months. Gordon proposed the results of the outreach could be reported back in March. Cecil asserted that setting an initial goal would be helpful for the benchmarking process itself.

Cathy mentioned that there was concern expressed in PED that these commercial corridors would become exclusively multi-use housing areas. Chris shared that if other uses were to begin to get crowded out then there would be an opportunity to make appropriate changes.

Cecil moved to recommend the proposal to Council, Chris seconded the motion with unanimous approval.

4. New Business
    a. Defining Housing Affordability—Jeff explained that there are many ways to define affordability. An overall system is necessary as case-by-case evaluation makes policy unwieldy. Agencies can make one-on-one evaluations, but at the policy level need to establish guidelines for affordability. Beyond base income calculation, affordability qualifications are all over the map. The federal government has standards at multiple levels. Locally, there are only three areas that need definition: Housing Trust Fund (HTF), Fee Rebate Program and Land Use Incentives. With the HTF, HUD payment standards are the affordable rent standards. For the fair market standard, HUD does survey of market rents and calculates 40%. Locally, we take household income per number of persons at 80% of AMI and divide by 12 then calculate 30% for housing. Workforce is calculated similarly, but at 120% of median income. In some markets some are higher than market rents. The question becomes a matter of how to provide incentives to achieve product that Council desires. Jeff noted that the summary does not take into account locational efficiency even though 55% of income going to housing and transportation is baseline for affordability. Chris asked locational efficiency is not included. Jeff explained that it is not in the report due to changing situation on transit. Chris asked if the difficulty is in defining locational efficiency. Jeff responded that according to the Center for Neighborhood Technology said that there is no location in this community that is efficient compared at other places…you need to have a car. Cecil, asked if first affordable tenant can be a requirement can preference be shown to those whose jobs allow them to walk to work. Jeff deferred to Martha McGlohon, who stated that it is an interesting question that will need further investigation. Chris asked if it might be worth considering HTF policies and incentives for workforce housing depending on location. Jeff stated that developing downtown is expensive and often requires incentives. Incentives are being used that do not qualify a locationally efficient. He asked if the Committee wants to incent $1400 per month units on Hendersonville Road when there are also older developments with two bedroom units more locationally efficiency for $900 per month. Gordon suggested allowing the Affordable Housing Advisory Committee (AHAC) taking a look at the matter. Members discussed that parking requirements are a factor in locational efficiency. Gordon commented that wage indexing might need to be reevaluated…workforce at 120% of AMI is insulting when out of reach for hard working people. He also advocated indexing location efficiency and said that naming conventions should be more accurate. Jeff agreed that there are no good semantics abroad.

The members agreed to involve AHAC for further development. Jeff pointed out that this is part of a broader conversation; that income may not be the only factor when determining affordability especially when related to homelessness and mental health systems. Gordon proposed that with preliminary market analysis in due in December, target setting could begin with HTF applications in January, another round of targets and AHAC recommendations with the Consolidated Plan in February and March could be limited to the CDBG process with the goal to present targets to Council in April. The members agreed to the time table.

b. EPA Building Blocks— Jeff requested the Committee's input on applying for the EPA Building Blocks Technical Assistance Opportunity. These are not grants, but EPA contracts with technical service providers for public process and research on selected topics. A two page request letter would be due, today, November 20th. One possibility would be to receive technical assistance regarding Alternatives to Gentrification. This would be a fairly simple request for assistance for workshop on the subject. Cecil moved to approve submission and which was seconded by Chris.

5. Public Comment
   a. Dee Williams expressed that she was glad to hear conversations regarding public notification. She advocated for getting African American community involved. She explained that as she is withdrawing in community, someone needs to step in. Dee commended the EPA submission. She expressed concern regarding the minority business commission be included in the technical assistance process.
   b. Scott Dedman congratulated Heather Dillashaw her new position as CD Manager. He thanked Blake Esselstyn for his work on the density policy. He explained that this would help build momentum for developing housing. Targeting 5,000 units over 10 years does not mean 500 first year. He explained that developers learn by seeing what the potential is…100 units the first year would be a great success. He shared that this policy is exciting.
   c. Gordon noted that during Blake's presentation, "Residential Density in Commercial Districts" may not apply with the addition of another corridor, but that the terminology "Residential Density in Urban Corridors" may be more appropriate.
   Jeff announced the CDBG/HOME Application Workshop on December 3rd, 2014 at 9:00am.

6. Next Meeting—Wednesday, December 10th, 2014 at 9:00am