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Ordinance 2019-25


“The Housing Commission shall:

- Examine funding sources available for housing in Flagstaff, make recommendations to City Council on potential funding sources, including bond measures, and provide oversight of any funds approved by the electorate for housing purposes.
- Make recommendations on the creation and implementation of housing and housing policies and programs for the benefit of Flagstaff and its citizens. (*non-monetary*)

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## Ordinance 2019-25



- Make recommendations regarding the prioritization of the community's housing needs. (*non-monetary*)
- Make recommendations regarding how affordable market rate housing can be responsibly stimulated through changes in the City Code as well as other potential solutions. (*non-monetary*)
- Examine and make recommendations regarding increasing the affordability of housing in Flagstaff. (*non-monetary*)

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## Ordinance 2019-25



- Explore alternative models of housing and make recommendations to Council. (*non-monetary*)
- Advise and assist the City Council on ways to educate the community on housing, including the role housing plays as infrastructure in Flagstaff. (*non-monetary*)
- Upon request, serve as a resource on implementation of housing policy and programs."

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## Ideas for “Nonmonetary” Affordable Housing Tools



Work with internal departments to create other “affordable” affordable housing tools

- Planning and Zoning
- City Codes
- PIO for educational campaigns
  - Education about affordable housing
  - Combating NIMBY



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## Recap “Affordable Housing”?



The generally accepted definition of affordability is for a household to pay **no more than 30 percent of annual income on housing and housing related expenses.** (Source: U.S. Department of Housing and Urban Development)

Communities benefit when citizens of all economic levels are able to secure housing

&

Everyone is interested in living in Affordable Housing.  
All income levels!  
All family sizes!  
All ethnicities!

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## What we know about home prices



***“At its core, issues of housing affordability are a function of supply and demand as well as land availability pressures.”***  
(ECoNA Report)

- Home values have increased because of strong demand and low supply.
- Low mortgage rates have an indirect effect on home prices, as consumers are willing to take on more debt when credit is cheap.

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## And Flagstaff's Market...



- Flagstaff's population grew by 7.0% between 2010 and 2015, nearly double the national rate of 4.1%. (ECoNA Report)
- A 2010 study identified 4,808 unique second homeowners, **nearly 25% of the housing market.** (ECoNA Report)
- **Inclusionary zoning is illegal** in the state of Arizona.

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## Yes, but how?



### Demand Side

- Help make the existing housing stock affordable to the community
- Most often in the form of lowering the monthly cost to an assisted household or renter.



### Supply Side

- Aid by developing or rehabilitating units

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## Other items of interest




The financial structure of public housing is recognized as unsustainable in the long term

- City of Flagstaff programs ARE financially stable, for now
- HUD is *strongly encouraging* transitioning public housing to a different FINANCIAL platform
- Industry belief is that at some point, what is an option now, will become a requirement in the future
- A Request for Statement of Qualifications (RSOQ) related to the redevelopment of Public Housing and an overall assessment and plan addressing physical, financing and community assets/needs is in the process of being reviewed by Legal and Purchasing.

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# Items to Remember



- Affordable housing means financial assistance from somewhere, *partnerships are key*, and often **multiple funding sources** are necessary even for a single project.

**Don't forget the third "P"**


**Policies**

**Programs**


**People**

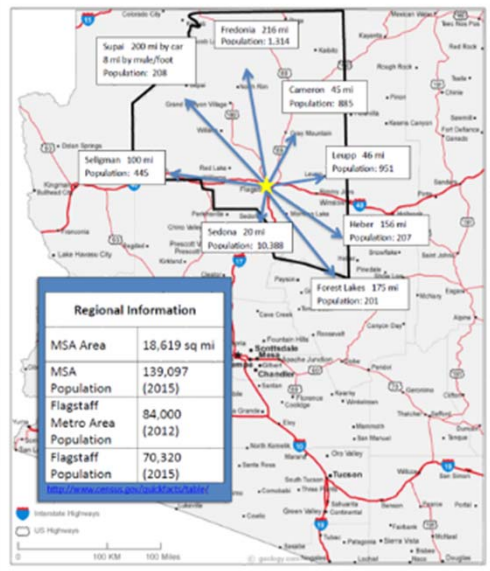
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# Tween Challenge






Regional Information	
MSA Area	18,619 sq mi
MSA Population (2015)	139,097
Flagstaff Metro Area Population (2012)	84,000
Flagstaff Population (2015)	70,320

Flagstaff is too **BIG** to be small...


and too **small** to be big

Metropolitan – Federal


Rural – State of Arizona



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# Funding Sources



<p><b>Federal - Grant / Entitlement</b></p> <ul style="list-style-type: none"> <li>• CDBG – approx. \$600,000 annually (limited to 80% &amp; below)</li> <li>• USDA, HOME, ESG, HOPWA, Housing Trust Fund (not eligible)</li> </ul> <p><b>State – Competitive Processes</b></p> <ul style="list-style-type: none"> <li>• Federal pass-through (HOME, ESG)</li> <li>• Limited state-based funding</li> <li>• Tax-credit program (development driven)</li> </ul>	<p><b>Local</b></p> <ul style="list-style-type: none"> <li>• General Fund (limited capacity)</li> <li>• Private Non- and Not-for-Profit</li> <li>• Foundation or non-profit grants or financing</li> </ul> <p><b>Employers</b></p> <ul style="list-style-type: none"> <li>• Employer Assisted Housing (EAH) programs</li> </ul>
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# Current Policies, Programs & People



<p><b>Federal and State</b></p> <ul style="list-style-type: none"> <li>• Public Housing</li> <li>• Property Management</li> <li>• Voucher Programs</li> <li>• CDBG</li> <li>• Down payment and Closing Cost Programs</li> <li>• Owner Occupied Housing Rehab</li> </ul>	<p><b>Local Funding</b></p> <ul style="list-style-type: none"> <li>• Housing Planning</li> <li>• Down payment and Closing Cost Programs</li> <li>• Incentive Policy for Affordable Housing</li> <li>• Permanent Affordability Program</li> <li>• Employer Assisted Housing</li> <li>• Loan Management</li> <li>• Community Participation</li> </ul>
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## Current Policies, Programs & People



### Program Funding

Programs	Population Served (people)	2019 General Fund	2019 CDBG Local Funding
CHAP	Up to 125% AMI	\$170,000 1-time funding	\$0.00
EAH	City Employees	\$30,000 1-time funding	\$0.00
FAP	Up to 80% AMI	\$0.00	\$0.00
OOHR	Up to 80% AMI	\$0.00	\$219,000

### Program Longevity and Sustainability

Revolving Loans – When loan is repaid, the money goes back into the same purpose to be spent again

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## Current Policies, Programs & People



**Incentive Policy** for Affordable Housing and the Flagstaff Zoning Code offer financial and regulatory incentives through reimbursement and/or waivers of City development fees to assist private development of affordable housing units.

*Longevity is for 30 years.*

Incentive Policy Reimbursement / Waivers		
Population Served	2019 General Funds	In Leu Negotiations
Up to 150% AMI	\$0.00 1-time funds	\$140,000

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## Recommendations for Expanded Affordability - ECoNa



### Recommendations for Expanded Affordability - ECoNa

#### Constraints and Recommendations Matrix

	CONSTRAINTS	RECOMMENDATIONS
FUNDING	<ul style="list-style-type: none"> <li>No reoccurring local source of funding for housing construction</li> <li>No immediate bonding capacity</li> <li>Potential threats to CDBG funding</li> <li>Transfer tax not allowed under state law</li> </ul>	<ol style="list-style-type: none"> <li>1.1 Explore options for recurring local public and private funding source</li> <li>1.2 Pursue bond issue for affordable and workforce housing</li> <li>1.3 Create structures to recapture and recycle public investments in housing</li> </ol>

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## Another Perspective - Non-profit

Devonna McLaughlin

Chief Executive Officer

Housing Solutions of Northern Arizona

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## Development – Nonprofit Perspective



- Limited Funding
  - City of Flagstaff CDBG funding
  - State HOME funds
  - Not eligible for USDA
  
- LIHTC Funding challenges
  - Only 2-3 “rural” projects annually
  - Developers are limited to one project annually

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## Development – Nonprofit Perspective



- Challenges with funding availability and funding restrictions/requirements
  - Site Control
  - Timing
  - “First Money In” for a project
  
- Challenges with getting “to scale”

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## Bonding... Who & where does it serve?



Funds resulting from a bond measure can be utilized to assist households above 80% AMI, unlike state and federal funds



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## What is different with bond funds?



**The community, through recommendations from the Housing Commission and decisions from City Council, makes the rules for how the funds are spent.**

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## What is different with bond funds?



### Local funding can provide the ability to:

- Set up programs as a revolving fund for longevity & sustainability
- Provide “gap funding” for costs directly incurred in construction or rehabilitation of housing
- Include for-profit and non-profit developers, contractors, builders, governmental agencies, and partnerships thereof
- Be “first money in”
- Provide for both rental and ownership.
- Purchase existing housing units or land to be developed, sold, or rented for the creation of affordability

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## Possible Funding Source



### Secondary Property Tax Capacity

- Current rate is 0.8366 per \$100 of Assessed Valuation
  - Current policy to remain at or below 0.8366 rate
- Estimated capacity \$60M under current rate, based on current projection of Assessed Valuations
- FWPP, Housing and Park and Recreation, along with Open Space, are considering ballot measures for Nov 2020

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## Impact on Residential Property Owners



- For planning purposes:
  - 20-year debt issuance at 5% interest rate
  - \$10M, \$25M and \$60M in bonds
  - Average Class 3 Residential Assessed Value - approx. \$240,000
  - Total rate stays within current policy: 0.8366

Amount of Voter Authorization	Amount of Total Debt Paid	Average Tax Rate Required	Residential Annual Impact	20-Year Impact
\$ 10,000,000	\$ 15,934,493	0.0917	\$ 19	\$ 380
\$ 25,000,000	\$ 39,836,233	0.2293	\$ 46	\$ 920
\$ 60,000,000	\$ 95,606,960	0.5502	\$ 111	\$ 2,200

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## Sales Tax Capacity



A rate increase of \$0.001 or 1/10 of a penny would equate to **\$.10 cents** on a \$100 expenditure.

This tax rate would bring in \$2 million per year or \$20 million dollars in 10 years.

**\*\*Full funding is available to be borrowed at any time, 10 years is only the projected repayment period.**

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## What we know about other Commissions?



- January 21 Council Meeting Update
  - Forest Watershed Protection Project
  - Park and Recreation and Open Space
  - Housing



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## How much are we talking about for a 2020 bond?



*It depends on the funding source and what you want to do.*

### **Secondary Property Tax Capacity**

- Up to \$60,000
- Parks, Rec and Open Space is also discussing use of this capacity

### **Sales Tax**

- Every 1/10 of a penny produces \$20 million over 10 years

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## Timeline 2020



- **February 11 & 27** – Next Housing Commission Meetings
- **March 3** – Recommendations to City Council
- **March – June** Preliminary Preparation for Public Outreach
- **July 7** – Deadline for Council to Call the Election
- **July – October** Preparation of Final Public Outreach and Presentations to Public
- **August** – Finalization of Publicity Pamphlet for Distribution
- **November 3** – Election Day

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## Bond Research & Examples



### City of Durham, North Carolina

- Population 267,743
- \$95 Million Affordable Housing Bond, November 2019
- Approval of 75.89% of those who voted
- <https://durhamnc.gov/3932/Affordable-Housing-Bond>
- Ballot Language, marketing page and FAQ included in packet

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## Bond Question



### City of Durham, North Carolina

"SHALL the order authorizing \$95,000,000 of bonds plus interest to **pay the capital costs of housing projects for the benefit of persons of low income, or moderate income, or low and moderate income, including construction of infrastructure improvements related thereto and the acquisition of land and rights-of-way required therefor,** and providing that additional taxes may be levied in an amount sufficient to pay the principal of and interest on the bonds be approved?"

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## Bond Research & Examples



### San Francisco, California

- Population 4,729,484
- Prop A - \$310 Million for Affordable Housing Bond, November 2015
- Prop A - \$600 Million for Affordable Housing Bond, November 2019
- 2015 passed with 74.26%, 2019 passed with 71.15%
- Since 2014, San Francisco voted on nine ballot measures related to affordable housing bond issues or development measures. Five were approved, and four were defeated

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## Bond Question



### San Francisco, California

"Ordinance ... for the purpose of submitting to San Francisco voters a proposition to incur the following bonded indebtedness (Bonds) of the City: not to exceed \$310,000,000 **to finance the construction, acquisition, improvement, rehabilitation, preservation and repair of affordable housing improvements**, and related costs necessary or convenient for the foregoing purposes;..."

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## Direction & Next Steps



### Questions for 01.06.20 Meeting

1. Questions and possible requests for more information on this topic.
2. Do Commissioners want to proceed in exploring a 2020 ballot measure (bond or sales tax) for improving housing affordability in Flagstaff?
3. If yes, what type of funding source should be utilized?
4. If yes, what should the money be utilized for?



### If Yes, next meeting questions

- Prioritize projects? (survey)
- How much are we talking about?
- Fit projects into recommended amount?
- Finalize recommendation to Council

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If Commission wishes to not move forward...



## Next Meeting Topics

- What would the Commission like to tackle next?
- Presentations:
  - NAIPTA
  - Planning and Development Services
  - Climate and Adaptation Plan

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## Program Options



**Dedicated funding is required if expanding current & creating new programs**

### Homeownership

- Down payment assistance w/ first time homebuyer education & counseling

### Rental

- Rental Assistance Programs such as move in assistance
- Creation of programs incentivizing accessory dwelling units (ADU) that serve low to moderate income renters
- Programs supporting community efforts surrounding homelessness

*Any other suggestions?*

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## Program Options



### Rental and/or Homeownership

- Housing Rehabilitation
- Eviction prevention / mortgage foreclosure assistance w/ financial education
- Installation of infrastructure related to affordable housing creation
- Purchase of existing housing units to be sold/rented to eligible populations
- Incentives for private developers to include affordable units in market rate development,
- Utilization of City owned land for the creation of affordable housing units
- Purchase of land for the creation of affordable housing

*Any other suggestions?*

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## Next Steps



***Watch for the electronic survey and PLEASE fill it out!***

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# Questions?

**Next Meetings:**  
**Tuesday, February 11, 2020**  
**Thursday, February 27, 2020**




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## Area Median Income (AMI) 2019

Household size	30%	50%	60%	80%	100%	125%
1	\$16,050	\$26,750	\$32,100	\$42,800	\$53,500	\$66,875
2	\$18,350	\$30,600	\$36,720	\$48,900	\$61,200	\$76,500
3	\$21,330	\$34,400	\$41,280	\$55,000	\$68,800	\$86,000
4	\$25,750	\$38,200	\$45,840	\$61,100	\$76,400	\$95,500
5	\$30,170	\$41,300	\$49,560	\$66,000	\$82,600	\$103,250
6	\$34,590	\$44,350	\$53,220	\$70,900	\$88,700	\$110,875
7	\$39,010	\$47,400	\$56,880	\$75,800	\$94,800	\$118,500
8	\$43,430	\$50,450	\$60,540	\$80,700	\$100,900	\$126,125

Note: 30%, 50%, 80% and 100% income categories are provided by HUD. The 60% income category is provided by ADOH. The 125% numbers are based off of the 100% AMI.

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