

Housing and Community Development Committee Meeting Transcript – 08/01/2016

Title: ATXN 24/7 Recording

Channel: 6 - ATXN

Recorded On: 8/1/2016 6:00:00 AM

Original Air Date: 8/1/2016

Transcript Generated by SnapStream

=====

2:13:34 PM

>> Renteria: Testing. Good afternoon. I am councilmember Renteria. A quorum is present so I will call this meeting of the Austin housing and community development committee to order on August 1st, 2016. We're meeting in the council chamber, Austin city hall, 301 west second street, one, Texas. The time is 12:13. The first item on the agenda is to approve the minutes from the June 6, 2016 minutes meeting. Do I have any motion to approve? Motion has been made and seconded. All those in favor raise their hand? All right. Approved by a vote of the three of us.

2:14:34 PM

Ms. Gallo being absent. From the dais. All right, we'll move on next to the next item, which is citizens communication. Per committee rule we will allow up to 10 speakers. I don't think we're going to have a problem today. Stuart Hersh, you have three minutes.

>> Chair and members of the committee. My name is Stewart Harry Hersh and like most in

2:15:35 PM

Austin I rent. I'm here to talk to you about the Austin strategic housing plan draft of June 6th. And I would argue that it is not a path to housing affordability for Austin, but it is a good description of what others are doing elsewhere. Page 11 of the draft sets a 40,000 market rate housing unit goal. This seems unnecessary since market rate housing is being created by builders and bankers. The July 19th, 2016 city of Austin multi-family report that I've included as part of your backup remind us that, quote, there are now 40,000 upstream units headed towards what has got to be a maturing market. Their words, not mine. Why would market rate housing be a strategic goal for city staff give Haney is already in the pipeline? And why is the 160 home repair goal with three million dollars in financing in the 2016-2017 funding not

2:16:38 PM

recommended that -- it's recommended by the Austin home repair coalition and the Austin

housing coalition, but it's not in the city staff draft budget, when we supposedly embrace home ownership and safe housing for those among us particularly for those in the neighborhoods facing gentrification pressures. Where are the goals in the 2016-2017 budget that moves us towards the 35,000 affordable housing unit production goal highlighted in this strategic housing plan? And what are the affordability subgoals for Mueller, the university neighborhood overlay, colony park, city owned land and other sites where smart housing production is expected? I hope we can discuss this at a future committee and at future council meetings. I'm very disturbed that the strategy won't get us where we need to go, and we certainly need to go towards more affordability, but I'm fearful that the draft that you have so far won't get us there. Thank you very much.

>> Thank you.

2:17:43 PM

The next person is sunshine medon.

>> Good afternoon, councilmembers. I am attempt to keep my comments brief, but Isabel has also signed up and given me her three minutes as well if necessary. I stand here as the chair of the Austin housing coalition representing our collective body. And we have a draft report that will be coming out. It's not completely vetted completely so I will only be reading sections of it and not handing you a copy yet and you will be receiving it down the road. We extend our deep appreciation to the city of Austin and in specifically specific neighborhood housing and community development for a affordable housing plan. This aligns with key recommendations we provided in our 2011 round table position paper. Nevertheless it is our considered position as consortium providers in the city of Austin as a robust

2:18:44 PM

goal setting framework with strategies to address Austin's bunch oning affordability crisis. We make a series of recommendations. I'll read a few. On page six, what is the need? The 2014 comprehensive housing market study is rightly referenced as one measure of need. A housing shortage of 48,000 units at or below 40% mfi. But there is a massive shortage of housing at 30 to 20 percent mfi as well. To be clear these numbers are present day and in 10 years these needs will only increase of the number one, the Austin housing coalition are that the targets are not sufficiently ambitious. The goals should directly aim at current conditions plus projected 10 year increases. The housing plan's goal at 80% and below is dramatically low to address even today's condition and to subsidize the affordability units coming down the market path. We recommend that you work

2:19:45 PM

with the city demographer and any related departments to identify rigorous methodology to develop a comprehensive goal for affordable units. We would not be surprised if the result doubled or tripled current goal. The housing plan -- additionally the housing plan needs to be broken down into actionable subgoals by time frame. Throughout the entire plan it's a 10 year plan, but with no clear identification of which goals should happen first and in what order. It's our recommendation that there be one year goals, two and three year goals, three to five-year goals with a subsequent action oriented timeline for implementation in order to specify priority strategies given the goals. There is no mention of the public housing authority's goals, including the city of Austin and Travis county. Both haca and hat are

key players and the housing plan needs to include them. It lays out a list of

2:20:46 PM

potential policies, however the language used and the description of policies does not rise to the level of clearly defined strategies with timelines and action steps prioritized to achieve success. [Buzzer sounds]

>> Renteria: Go ahead and finish your thought.

>> Thank you. The policies and programs need to be reorganized to prioritize and highlight those with the most potential impact. For example, revise the smart housing program on page 20 has huge potential impact on affordable unit production by market rate developers if revised well. This program should be prioritized accordingly. Each program or policy should explicitly reference how it will help achieve the housing plans on what steps need to be taken and by when. For example, under prevent displacement of low income homeowners on page 13, the city cannot merely explore ways to help stabilize. Instead, actionable steps need to be early identified. With the current vacancy of the directorship of nhcd, the city manager and city council have been presented

2:21:46 PM

the opportunity to hire not just an administrator, but a visionary leader that can guide nhcd and invigorate the policemen implementation of a revised housing plan over the next 10 years. Please very carefully he reviewing the job description with a eye forwards the city not with just the department. Please further the opportunity we will have for advocacy and implementation at the structural level. In order to achieve our affordability goals, very large percentage of the projected affordable units will have to be developed by market rate developers via smart housing, density bonus programs, et cetera.

>> Renteria: If you could finish your thought.

>> At this point there is no mechanism for the city or for developers or potential income qualified tenants to track units nor where their located or identify vacancies. With a dramatic increase in units, they need the budget and staff to implement not just a tracking structure, but a way to welcome tenants to the table. And finally, it needs to be simple and easy for market

2:22:48 PM

rate developers to build affordable housing under smart housing or in density bonus programs. Such as developers have the development assistance center that a ideally a welcome center to help navigate development in the city, they need to co-develop a similar customer service platform to welcome developers and advocates for them with open arms and a smile to get folks building affordable housing.

>> Renteria: Thank you.

>> Thank you.

>> Renteria: Next is Isabelle Headrick.

>> I donated my time.

>> Renteria: Thank you. Jennifer Mcphail.

>>

2:23:55 PM

>> I'm Jennifer Mcphail with adapt of Texas and we wanted to come here today to let you know that we're concerned with the housing plan. We have a five or six-page report coming to you. We want to see more aggressive approach implemented toward addressing the housing needs of very low income people of various team with disabilities. I'm sure most of you know that S.S.I. Level is very, very low income. It's about 15% of the median family income. And it's very difficult for someone on S.S.I. To be able to find a place to live in this housing market. Then you have the complication of supportive housing being the dominant force in the city of Austin so that if you are a person with a disability who happens to be low income at the S.S.I. Level and you really don't need or are not interested in supported

2:24:56 PM

services being thrust upon you, you may have support services from another entity in community or you may not need the specific type that they're offering. You have people that are in a situation where their only choice is supportive housing so they're being choice to choose between homelessness and supportive housing. And it can be very intrusive. We've had members of our group whose attendants had to show their id everyday to be able to do their attendant work and that feels like an institution. You should be able to be a low income person and maintain your dignity, otherwise what we're saying is that a person's worth is defined by their bank account and the money they bring home and the tax they pay to the tax base. And that's really not fair because one size does not fit all and we're not all unfortunate enough to make a six-figure income and be able to live downtown. So we have to have a city that acknowledges that and I

2:25:58 PM

think that we can be more aggressive and be more creative and we need to change the type of conversation that we have about poverty in this city. The other thing is making sure that we aggressively enforce existing disability rights laws so that people have more availability of units throughout the city doing creative things like you have with the tenants council and enforcement with good and is good and we need to continue doing that. My last comment is that we should find an executive director for neighborhooding housing and community development that actually has experience or enthusiasm or a passion for disability rights because the disability community often times is one of the most -- lowest segments of the community that there is, lowest income, I mean.

2:26:59 PM

So if you're serving us and serving us well you know you're doing your job right. [Buzzer sounds] The things that are good for us are good for everybody. And it goes across -- it goes across neighborhoods throughout the city. You won't have to be in this situation you have, districts fighting with districts. We're doing well with people with disabilities then everybody does well. I'll leave some

written comments for you and the rest of the city councilmembers on our thoughts on the executive director. There may be a few extra in here for staff as well.

>> Renteria: Thank you.

>> Later we'll probably want to sit down with you in meetings and talk in greater detail. Thank you.

>> Renteria: Next speaker is Hija Sandoval.

2:28:02 PM

>>

>> Hello, I'm also with adapt of Texas. As Jennifer said, we want to make facing and a new director of nhcd that can work with people with disabilities throughout the disability. We need to look creatively at deeply affordable units throughout the city, maybe even downtown. And supportive housing, although needed by some people and desired by some people, I do not want my housing connected to my services. Because let's say I have an issue with [indiscernible], that means possibly that I lose my attendant services. I have a very active life and that would not be a good thing so my community based

2:29:03 PM

attendant services shouldn't be just that in the community and not connected to my housing. And I guess that's all I have to say if you have any questions. Thank you.

>>

>> Renteria: Thank you. That concludes all our speakers. We're now on item number 3, discussion and possible action on the report related to the effectiveness of the density bonus programs on affordable housing. If the presenters are here, could you please go ahead?

>> Good afternoon, I'm Jesse Kuck with neighborhood housing and I'm history to provide a summary presentation of a report that our department developed in response to

2:30:03 PM

council resolution that was passed in October of 2015. And the direction from the report was specific to look at the density bonus policies and specifically the fee-in-lieu component of those policies. So we'll provide a brief overview of where our affordable housing goals are today, the current density bonus policies. We'll go into the analysis we conducted around the costs of constructing, preserving and buying down affordable housing. I'll also look at national best practices and then hopefully the majority of the discussion will be around our recommendations. So the council resolution that was passed in October of 2015 directed staff to compile a report updating the data and effectiveness of our

2:31:04 PM

current density bonus programs with a recognition that those programs vary greatly from policy to policy. It also directed staff to look at the cost of constructing, preserving and buying down affordable

market rate units and to look at best practices nationally in calibrating a fee-in-lieu and density bonus programs. The direction in the resolution suggested that they were looking for staff recommendations to initiate possible code amendments. So the primary recommendation from the report is that while this report conducted detailed analysis and under the direction that came from the resolution, there's additional analysis that must happen for us to move forward on revising our current density bonus programs. And staff recommends engaging a third-party consultant to provide economic analysis that along with other work

2:32:04 PM

with help us to ensure that we are properly calibrating the community benefits and the incentives that are codified in our density bonus policies. So I wanted to frame this discussion by looking at the vision and our goals on affordable housing and to emphasize that the density bonus programs help us to meet the vision of a more diverse Austin with housing that's affordable to all people in all parts of town. In June of this year, the neighborhood housing released the draft Austin strategy housing plan - Austin strategic housing plan and it highlights some goals around the mfi levels and number of units that will be moving forward. And we can see related to the density bonus

2:33:04 PM

program specifically support the production of 50 permanent supportive housing units each year. And I highlight that because the fee-in-lieus through the density bonus program are dedicated to support the development of permanent supportive housing. So where do the density bonus programs achieve affordability? Well, they primarily achieve units that are at 120 to 50% mfi and we just wanted to highlight here what those mfi levels are. And then also on the far right of this graph we have some projected gap on different unit levels. These were units at different income levels. This analysis is provided by [indiscernible] And associates and it demonstrates that in the future there is a prediction that we will have a gap of units and

2:34:06 PM

their higher mfi levels that are currently supported by the density bonus programs. Our density bonus programs are located in various parts of the city. Some of them are very geographically specific such as the university neighborhood overlay and others are based on more geographic, more diverse geographic locations such as the microunit density bonus that was introduced in 2014, and that applies to all core transit corridors. The vmu has various regulations around that as well. What we found in our report is that we have a total of over 1600 units that have been secured through the density bonus programs. This includes units that are both on the ground and still in the pipeline. The units are predominantly at 80 percent mfi and then

2:35:06 PM

the next mfi level is 60% mfi are the two acknowledged groups and that a total of 96 developments have participated in the various policies and programs. Characteristics, I think folks are fairly familiar with this. Staff has spoken to a lot of these characteristics in the past. Number one being the great variety that we find in the policies. We have 10 different policies and they do not look alike. If you go down the list you will find some very different and that makes it very to implement and it also makes it difficult for developers to participate in because you have to become experts in every density bonus

program depending on where you hope to develop. Secondly we found that there was not consistency in the use of economic analysis to determine a fee-in-lieu amount or even to

2:36:07 PM

calibrate the on-site affordability requirement in all density bonus programs. And our recommendation for the comprehensive analysis would respond to that. So some of the density bonus areas received more attention and were well informed by economic analysis whereas others were not as much. And so the resolution did ask us to focus on the fee-in-lieu policy specifically, so we want to highlight that out of the 10 policies four do not include a fee-in-lieu option and six include a partial to full fee-in-lieu option and we'll go into that in a little more detail. So here you can see a breakdown of the 10 various density bonus programs. You can see that there are some that have no fee-in-lieu option all the way from council approval, partial fee and then administrative ability to approve a

2:37:08 PM

fee-in-lieu. And I should have corrected this slide actually. The last one the fee-in-lieu option, rather than east Riverside corridor it should say the downtown density bonus. Here we have a breakdown of the unit counts over the various density bonus programs and whether they are in the pipeline or secured or already on the ground. And we found that our three top performers all vary in their policies as well. The neighborhood university overlay has produced the most unit and that has a partial fee-in-lieu option meaning a component of your requested additional entitlements can be met by paying a fee-in-lieu. Developers also are required to provide on-site units in addition to that fee. In the vertical mixed use there is no fee-in-lieu option on residential development and in the transit

2:38:11 PM

oriented development areas council may approve a fee-in-lieu request if the developer is able to express a compelling reason. So thus far we have secured large sum of fees in lieu, but we have only actually received a small portion of those fees and those have come from the university neighborhood overlay bonus and from the planned unit development overlay bonus. And I should step back and make sure that I highlight that. When I speak to the planned unit developments in this presentation and in the report, we are specifically speaking to the density bonus policy and only three developments have participated in the density bonus through the planned unit developments. So this breaks down where the fees have been reinvested, into which developments, the university neighborhood overlay specifies that the fees must be

2:39:11 PM

invested and rededicated within the university neighborhood overlay area, and to secure additional affordable housing. And there was a report conducted that helped to inform the most recent amendments to the university neighborhood overlay density bonus program. So maybe the most challenging part of this report for staff was to look at the -- at the economic analysis of the cost of construction, the market rates comparing to -- and sales rates compared to affordable sales and rental rates. And part of the reason this was so challenging was just accessing the data itself. So to come up with a cost of construction, we reached out to frank agnessa and associates who completed a modeling through the codenext sound check and they found in looking in, I

2:40:13 PM

believe, nine different study areas that there was an approximate estimate of \$197 per square foot to construct a unit. And again, this modeling -- this is a simplified version that goes into much more detail in the report, breaks it down by type of development and the area, the subject area. So what I want to highlight here is the analysis of what the buy-down amount would be to secure an affordable unit over 40 years. So that's the delta or the difference between the market rate rent and the affordable rent based on 28% of a household income. And you can see that with -- for a one bedroom unit it can be up to over \$130,000 of subsidy required to meet 30% mfi.

2:41:17 PM

And here we're looking at the estimated subsidy or die-down -- buy-down required for ownership or for-sale units and to each 80% mfi we found that it's over \$150,000 in subsidy that would be required, assuming that the market rate sales price is \$339,000. So looking at national best practices, we found that the clearest statement that was communicated is that there was no clear best practice. Every state is working to find a policy that will really work for their own community and that was encouraging to hear that we're not behind, we're actually used as an example of a best practice in the many reports that are out there, but I did not find consistent policies that I could turn to that were clearly a best practice. And one other challenge in identifying a best

2:42:17 PM

practice is that a lot of communities don't report out the number of units. So it's difficult to analyze the success of a specific policy. And then, of course, to highlight that Texas is now the only state that prohibits mandatory inclusionary zoning, which has put us in a very difficult position. It means you have to be very innovative. So I'm going to go through these a little more quickly, but I think the general rule from national recommendations is to have clear and standardized practice and whenever possible to have one unified policy rather than many different policies that apply to many different areas? And to always use reliable metrics data standards to inform your policy. We also found that there are pros and cons to the fee-in-lieu and the

2:43:18 PM

analysis were not able to determine either the pros or the cons outweigh each other, but that it's just as important for unconscious to consider the pros and cons for putting together. One of the pros of the fees in lieu is the legal disability of flexibility, which I think we've heard from our development partners. And the potential to leverage funds in other areas. And on the challenges side, we have found that the prices are often calibrated or set too low, which is one of our concerns here in Austin. We're not concerned that we don't have enough strong non-profits to give money to. We're fortunate to have many potential non-profit partners, but we do find that it can be difficult to get units in neighborhoods that are experiencing development in expensive

2:44:18 PM

areas and on-site unit policy can help to secure units and those more difficult to -- in those more difficult to reach areas. Looking at this, how are the fees in lieu set? It is again nice to see that other communities set theirs arbitrarily as well, but that is not a best practice. It is a practice that we want to

move away from and hopefully with the comprehensive analysis we'll be able to have more informed policy around the fee-in-lieu. So again, to reiterate our major recommendation would be this economic analysis that would work in conjunction with the codenext process. We would recommend that the consultant not only have expertise in economic analysis, but also expertise in housing policy so we can have that really strong conversation around how do the -- how does economic analysis match up with our policy goals around affordable

2:45:23 PM

housing. Here I go into a little more detail of what that scope of work might look like, and we were really happy to see in the fair housing initiative resolution that council recently passed that it did direct staff to move forward with this economic analysis. And then additionally we highlight some potential interim amendments or revisions that might be made that could happen while the more comprehensive analysis is taking place. Specifically finding opportunities to standardize the formula a that -- in areas where it would not -- would not impact the calibration of the incentives and the -- and the community benefits. The possibility of extending affordability terms above the 40 years for rental or 99 years for ownership on for-sale units including the housing choice

2:46:27 PM

voucher for all developments that choose to participate in the density bonus and that's also highlighted in the fair housing resolution that was recently passed. And to look at how we might be able to revise the tod regulations so that fewer developments move forward with a request to pay the fee-in-lieu. And lastly to look at the possibility of including affordable housing as a required benefit in the tier 1 of planned unit developments. And we just wanted to highlight that there are recommendations that support the recommendations in this report and that are related to the density bonus policies that can be found in the codenext affordability prescription paper, in the housing transit jobs action team recommendations and in the fair housing action plan that neighborhood housing is moving forward currently. And that's all I have for you today.

2:47:37 PM

>> Renteria: Thank you for that report. We have three speakers that have signed up on item 3. Stuart Hersh.

>> Chair and members of the committee, my name is Stewart Harry Hersh and like most in Austin, I still rent. And the last page of the handout I gave you earlier are my comments on density bonus. First of all, I want to thank the staff for acknowledging the need for a third-party expert to tell us how to get this stuff right because clearly it isn't where it needs to be. The density bonus report contains much information about what other cities do to achieve housing affordability that exists in a different legislative context than Texas. And I think the staff has acknowledged that. Here are the questions that should have been asked and answered. One, why was the university neighborhood overlay able to achieve

2:48:40 PM

on-site affordability and fee-in-lieu payments or 50% median family income rental housing units when none of the other density bonus initiatives accomplished this? That's a profound question that we

should be examining that I don't think the report takes head on. And why were none of the 50 Rainey street affordable housing units required to be affordable, only affordable for one day? Because that's what was on the books originally. And that no applications have been filed in Rainey since the five percent of dwelling units square footage standard replaced the five percent of housing unit standards that had previously been in Rainey. So we had a policy change that produced nothing. Three, how did the density bonuses roll up to the 35,000 affordable housing unit production goal described in the Austin strategic housing plan? And where can this information be found in the 2016-2017 draft city

2:49:40 PM

budget? I can't locate it yet and I've been reading budget for a week. Is there a plan to replace housing in Austin for homeowners who participated in floodplain buyouts in Onion and Williamson Creek. I can't find that. And why aren't rental housing units at 50 percent median family income rather than 60% median family income given the two recent market studies. As two other speakers told you in the meeting, we have the wrong target, and when you have the wrong target you have the wrong strategy. I have some answers to some of these questions. You may not want to take them up today, but at some future point I think we need to talk about what has succeeded and what failed and why. The six hardest words in Austin, Texas traditionally have been "I was wrong" or "We were wrong," and hopefully we can get past that and maybe a little bit more

2:50:41 PM

repentant about what we've -- repent about what we've tried and go back to helping the poorest among us.

>> Renteria: Thank you. Ross Smith.

>> Good afternoon, councilmembers. I think the simplest way to get apartment builders to set aside affordable units in their complexes as they are building them is to lower the cost of construction. The drivers of construction are land, materials, labor, maintenance and debt service. I can think of several ways that you could address this. One would be to set up a maintenance trust fund where the city would subsidize the cost of maintaining -- of the maintenance on the affordable units in the complex over the life of the contractor. Another one would be materials. The city buys a ton of concrete and rebar and toilets and electrical

2:51:41 PM

outlets off of the municipal book. You do contracts for this every week at your meetings. There's no reason to my knowledge why the city cannot buy materials through the purchasing consortia that you have and then sell them at cost to the builder to cover the affordable units to be used in the federal units. -- In the affordable units. This is not a gift. You cannot legally give things away to people, but you can do a contract like the cultural arts contracts where in exchange for what you give them, they agree to maintain the units at the affordable rate over the life of the contract. I think the system that you have now is Byzantine. It's incredibly complex. Using more market-based, simple, approaches to lowering the construction costs could be applied to any

2:52:42 PM

construction project anywhere in the city without having to go through all of the hoops that people have to jump through now. Thank you.

>> Renteria: Thank you. Fred Lewis?

>> Good afternoon, everyone. Hope everyone had a wonderful vacation. Vacation period or at least time off. I have -- Brad parsons was nice enough to give me his three minutes as well, chairman Renteria. So I wanted to make three points about Austin's voluntary density bonus programs and the issues with them. The first, and this is attached as an attachment to [indiscernible] You have. Ed Windler, junior looked at the number of apartment units built in Austin over the last three years and we

2:53:44 PM

averaged 3200 to 3500 units a year in Austin, Travis county, which is nearly double. The point being that even if every single project participated in the density bonus program at 10%, we would only get 320 to 350 units per year. So we're starting with the base that we really can't get a whole lot of production out of. The second thing is to realize the fact that the state of Texas says apparently that we can't sue mandatory density bonus programs unlike anywhere else is a really serious program. If you look at the literature they make it very clear that where density bonus programs have worked fairly well they have been mandatory. Where they have not

2:54:46 PM

worked they have been voluntary. So you can look at California's experience where they used to have a lot of voluntary inclusion programs. You can look at Massachusetts and across the United States: And where they had mandatory programs -- voluntary programs they switched to mandatory programs or something else because they found that it wouldn't work. And that's simply because the economics of the situation is that the person if they decide they don't want the affordable housing units can go ahead and build just without the density, unlike the mandatory system. And the third thing I wanted to say, which is important, is none of the mandatory or voluntary programs have produced low income housing. So even in the exemplar of mandatory inclusionary zoning, which is Montgomery county in Maryland, and you hear people talk about how wonderful it is all the time and it has produced a lot of units. But even there they've literally had to buy from the developer the

2:55:47 PM

units at 60% median family income because they weren't being produced even through the mandatory program. And that's why when you look at Austin's program and I'm going to use numbers for actually what's been built and part of the neighborhood housing and community development, of the 166 units that have been built that are not in pipeline through 2015 -- is that three minutes or am I talking slower than I think?

>> Renteria: That was three minutes, but I think someone gave you an extra three minutes.

>> Very good. I thought I was not speaking that slow.

>> Of the 1166 units built under the density bonus programs we've had, only 232 of them that have been at 50% median family income. That, as you saw in the prior data, that's where the real need

is. There are 60,000 households that need

2:56:48 PM

affordable units at 50% of median family income. They're the ones that the market will never produce. They're the people that will really suffer because instead of paying 35% of their income for affordable housing, they're going to be paying 50 or 55% of their income. So I wanted to make it -- to make this point: When we analyze our density bonus programs, let's look at voluntary density bonus programs. Let's not compare apples and Oranges because they're not the same thing and they don't work the same and the economics are not the same. The second thing is I wanted to point out that cornerstone partnership that has been referenced by the city in some of their literature as an excellent source on inclusionary zoning looked at Seattle's voluntary inclusionary zoning program and they do have a voluntary

2:57:49 PM

program. And they basically concluded that it would be better for Seattle to go to a linkage fee on new construction rather than trying to get low income housing out of density bonus system. And the last thing I would like to say, and I'll pass this out, is that I don't want to get into the merits of codenext. I'll leave that to y'all for next year. And opportunity you're going to have. But I'll say this. One thing is very clear, whatever the benefits of codenext, whatever the policies are, they will not marginally affect -- they will not affect at all maybe marginally low income house -- marginally low income housing. The market isn't going to produce low income housing. It never has, it never will. So I was reading a study recently that gave you an idea, at 50% of median family income, only a third of the households in the united States have affordable

2:58:50 PM

housing, at 50 percent of median family income, low income people. 28% of them get it from the government Eckhardt directly -- either directly or through subsidies. Five percent get it from the market. The problem is that the market will never produce low income housing because people don't have enough money to pay for even the most humble, but safe abode. So my request of you is when we analyze our voluntary density bonus programs, let's just not focus on the fact that maybe we have 10 programs and we should have one. Let's focus on the fact whether or not, a, voluntary programs work at all, and second of all, whether they work at all for low income people. [Buzzer sounds] Thank you.

>> Renteria: Thank you.

>> Renteria:for the record that was Brad parson that gave you the three minutes.

>> Yes, he did.

>>

3:00:21 PM

Renteria:I believe we should take these motions individually, one by one.

>> Kitchen: Okay

>> Renteria: So if we start with motion one, do we have a motion on this item? One? Okay. Motion has been made by councilmember Greg Casar, seconded by councilmember Ann kitchen. Do we have any discussion on this item?

>> Tovo: If I may, and I don't serve on this committee, but initiated the resolutions so I have a strong interest in this work and I do have some questions for staff, but before I -- and maybe now is not the time to jump in them but I want to say I think the report is really extremely, extremely valuable so thank you so very much for all of the information you provided us with, as well as the recommendations. I just want to be clear that the motion that's been

3:01:22 PM

presented is not the first recommendation, so I just want to understand what this -- this -- and I'll express just a possible concern -- I think there are issues that were ready -- I think there are amendments we're ready to move forward with as a council, or at least that I would like to bring forward to council, and I would just say I think, while I'm certainly not opposed to a stakeholder process, I wouldn't want that to delay some of the things that we've talked about doing for ages, in terms of the density bonus program.

>> Renteria: Okay. Just for the record, I just want to welcome councilmember tovo

>> Tovo: Thanks.

>> Renteria: If there are any other -- is there any other discussion on this motion before we take any action?

>> Kitchen: I wanted to understand your question better. Are you concerned is that the

3:02:22 PM

stakeholder -- what exactly are you concerned that the stakeholder process could slow down?

>> Tovo: So if there are other amendments coming forward relating to the information that we've gotten from the density bonus report is the intent here -- is the intent here to have that stakeholder process continue and conclude before other are contemplated?

>> Renteria: For our recommendation to the -- I don't have any problem with amendments being attached to it. Once we bring it back up. Is that what your concern is?

>> Tovo: Yeah I think it's a good idea to bring people together and identify other possibilities. Again, I would just say there are certain things that I think we probably are -- have a lot of information about and can move forward independent of that stakeholder process.

>> Renteria: Mm-hmm. Sure.

>> Kitchen: I think that -- oh, go ahead.

>> Casar: Sure. I feel the same way about this

3:03:23 PM

one as our last conversation, and this committee or in planning and neighborhoods, mayor pro tem, where if there are clear changes we can make that we know will help affordability in the city, given the Christ that we're in -- crisis that we're in, I don't think there are things that should slow us down to do so and we can always agree or disagree about what those things might be but if we feel confident there are changes we can make that will help and not have unintended consequences that hurt and there's a majority of us that feel that way --

>> Renteria: I'm wondering if we can have the staff come up and explain the recommendation.

>> Jesse, neighborhood housing. When I look at motion 1, what I read is that it is both in support of the major recommendation and then all of the other interim recommendations, that the goal of all of them is to increase standardization and transparency. I believe that with

3:04:25 PM

neighborhood housing, as a practice, we always include some type of stakeholder engagement, whatever we deem is most appropriate for the code amendments that are moving forward. And in this case it may be that staff would identify, along with other -- staff of neighborhood housing along with other relevant departments could identify short-term non-[indiscernible] I suppose amendments that would increase standardization and that we would just want to ensure that through the boards and commissions process that stakeholders were informed and aware of their ability to weigh in, that we make sure it's clear which staff members are accessible, if stakeholders would like to weigh in. That may be an appropriate stakeholder engagement model that would not slowdown or add any additional time to the code amendment process itself.

3:05:26 PM

>> Tovo: Thank you for asking the question.

>> Renteria: Okay. So are we ready to take a vote on this? Okay. Do I have a motion to approve this? Item -- motion 1.

>> Casar: Sure.

>> Renteria: Okay. The motion has been made. A second. Has been made by councilmember and seconded by councilmember kitchen. All those in favor raise their hand. It passes three to -- what's -- with councilmember Gallo absent from the dais. Let's go ahead and move on to motion number 2. I motion that this committee adapt staff recommendation and recommend to the city manager that he explores the possibility of extending affordability period in all density programs beyond their

3:06:26 PM

current term and present recommendations to the full council consideration. I don't know if I can make that motion. Can I?

>> Casar: Okay. I'll move it.

>> Kitchen: Second.

>> Renteria: You second. Any discussion? Hearing none, all those in favor?

>> Kitchen: Aye.

>> Renteria: Passes 3-1. Okay. Motion --

>> Casar: I think you meant 3-0. I don't think mayor pro tem voted against that one.

>> Tovo: I'm not voting at all.

>> Casar: I think you said 3-1 because --

>> Kitchen: It's 3-0.

>> Renteria: Oh, that Gallo is --

>> Kitchen: 3-0.

>> Casar: I thought you said 3-2-one. It it would have been out of character.

>> Renteria: Motion three, a motion that this committee adapts staff recommendation, reaffirm that the city manager add an anti-discrimination

3:07:30 PM

[indiscernible] Probation to all endensity bonus program. Can I get a --

>> Kitchen: I'll move that one.

>> Renteria: It's been made. Second? Any discussion? All in favor put your hand up. 3-1 with councilmember Gallo off the dais, the one that's -- okay. Motion four is I motion that this committee adapt staff recommendation and recommend to the city manager that he amends the affordability requirement to minimize requests for partial fee in lieu approved by defining what constitutes a compelling reason for a developer's inability to provide on-site affordable units, conduct a stakeholder group to identify what factors lead to a developer to request fee in lieu of rather than on-site development of affordable housing requirements, present

3:08:31 PM

recommendations for full council consideration. Motion been made by -- for approval by councilmember Casar. Second by councilmember kitchen. All those in -- any discussion? All those in

favor raise your hand. Passes 3-1. With councilmember Gallo off the dais. We're on motion five. I motion that this committee recommend all motions approved by this committee move forward in concert with the comprehensive analysis of the existing density bonus program in an effort to expand the density bonus policy through the codenext process. That motion by councilmember Casar, seconded by kitchen. All those in favor --

>> Kitchen: I have a question.

>> Renteria: Okay.

>> Casar: Sorry. And I think that, as Mr. Lewis

3:09:34 PM

pointed out, there's -- in different cities, different levels of success about how well density bonus programs can address need compared to all the other affordable housing programs we have. I think that it's pretty noncontroversial to say that direct subsidy and being able to buy land, being able to buy units, you know, we currently produce a lot more units through our affordable housing programs, through housing bonds and housing dollars that through density -- than through density bonus but I think that it's important that be, as a committee and as a council, ask for the density bonus study, the market study of how we can calibrate our density programs to do the most good, along with nexus studies so we can set a linkage fee. I've recently touched base with our city legal department and they'll be doing hopefully a briefing in executive session on for us on the linkage fee issue soon and we can have strong deliberation about whether one program is better than the other as was

3:10:36 PM

mentioned in testimony today, as was found in Seattle or what hybrids of those programs work best. But, again, it's very -- I found it very challenging here in my first term to figure out how not to be arbitrary but at the same time how to not be so scared of picking the wrong none as to not pick one. So my hope is that if we get -- if we are bold enough to set aside money to ask somebody to tell us if we are wrong, as Mr. Hirsch mentioned, I would love to find out where we're right or where we're wrong so we can set these things from a place of strength and a standard -- as standard as possible, be it linkage fees, density bonus or a mix of both. While it feels everyday we can be missing out on stuff we know codenext will be rewriting all of this and we'll be debating this next year so my focus and I urge your focus to be to continue to do that as right as possible because anything we decide between now and then is

3:11:38 PM

only gonna be short-term.

>> Kitchen: I just have a question about, as I'm reading this motion, basically I'm understanding it to mean that we're gonna move forward with these other motions while we're at the same time also moving forward with what's happening during the codenext process. Am I reading that correctly?

>> Renteria: That's my understanding.

>> Kitchen: Okay. And then so then my question really relates to the recommendation for the comprehensive economic analysis. So where does that fit? Or I guess you'll not -- we're not moving forward with that, with that recommendation? Or is that a recommendation that y'all brought forward in the budget or basically I'm want to go understand where that analysis -- where that recommendation sits.

>> Sure. So the recommendation for the comprehensive analysis is -- comes out of this specific report. And we believe that it's a necessary analysis that will

3:12:38 PM

help to inform codenext but is -- but should happen now as it will address our current existing density bonus programs. Whereas the work in codenext will first focus on the expansion of the density bonus programs and then will look to adopt and then revise where appropriate the existing density bonus programs, in my understanding.

>> Kitchen: So if I'm understanding, what y'all are recommending in terms of the comprehensive economic analysis is not currently going to happen through the codenext process?

>> My understanding, it would not. But if it is conducted, it will be available to inform codenext. It's not part of the current scope.

>> Kitchen: Okay.

>> Casar: And my understanding is -- as part of the fair housing resolutions that we recently passed we have recommended it. Now staff is further recommending it. I think there is discussion thought to be had -- I haven't had enough time to really think through -- if how much

3:13:38 PM

better our codenext process may be if we get that analysis done in time for it so that way we aren't revising the density bonus programs presenting in codenext after we've passed them shortly, I mean, if we're all of a sudden figuring out codenext and get new analysis that changes our numbers that could be challenging so there may be very compelling reasons for us to try to get our linkage fee studies and our market analysis studies for density bonus program done in time for those council deliberations so we aren't, you know, all of a sudden getting new information that we badly needed right in the middle of the process. So I think that there is some real urgency to the -- to this work and I'm gonna be thinking about ways that we can get things done quickly.

>> Kitchen: Okay. Because that was my next question, is there anything that we should be doing here to help that -- to help make that happen.

>> Casar: Probably funding it.

>> Kitchen: Well that's --

>> Tovo: Either one.

>> Casar: I believe neither is currently funded.

3:14:39 PM

>> Kitchen: What is the cost? Do we know?

>> Casar: We've called some other cities that have their quotes and I'm happy to touch base --

>> Kitchen: Okay.

>> Casar: Perhaps through the message board to present that shortly.

>> Kitchen: Okay.

>> Tovo: I have a question. It's really the same one that I think councilmember kitchen asked, but I just want to double-check my understanding of this last motion. The 1-4 will move forward in advance of codenext. Correct? They're happening in concert with but not waiting for codenext?

>> Renteria: Yeah.

>> Tovo: Okay. Thanks.

>> Renteria: Any other questions? Hearing no other questions, all those in favor of motion 5, raise their hand. It passed 3-1 with councilmember Gallo off the dais. Councilmembers, that was the last item that we had.

3:15:40 PM

>> Chair?

>> Tovo: Chair, with your permission, I do have some specific questions for our staff, and I understand it's her last day and so if it's possible to ask some questions about the report before we conclude.

>> Renteria: Sure.

>> Tovo: Also, I know there was a fifth recommendation that they brought forward.

>> Renteria: There was a fifth.

>> Tovo: Regarding the planned unit development. Is that something that the committee plans to take up? That's something I'm certainly happy to bring forward as a separate resolution as well. But I'll turn to my questions if now is the right time. So, again, thank you. I think this is really, really helpful. And just provides us with some great information to move forward. On page 17, it names the dollar amount for the downtown density bonus program, and I wasn't sure if you had a sense of when those fees in lieu would actually become available or whether any portion of them are currently paid.

>> So my understanding, there

3:16:40 PM

is no portion that is currently due that has been unpaid. They all are in various phases of the development process. I could get a -- an estimated schedule for you, at least a list of when they were each -- had their site plans approved. And that gives us some idea of when we can expect the fees. But it's kind of unpredictable.

>> Tovo: Right. I know it depends on construction. That's really helpful. That answers at least the question of whether any of that money is available. None of it is because it's not coming in. But if there is any kind of draft estimate of when those projects might wrap up in -- and have their cos and be paying those fees. With regard to the university and neighborhood overlay I see that 814 units have been created under that underlay. Were those created through developments that opted to do on-site housing rather than a fee-in-lieu were those created

3:17:40 PM

through the reinvestment of the fees?

>> So the university neighborhood overlay policy requires at least a portion, and I believe it's actually the majority of your affordability requirement be met through on-site housing. So all developments include some on-site housing, and I would have to get back to you again with a number on exactly how many chose to access the fee-in-lieu to meet the small portion of their affordability requirement. The account -- the unit count, I do not believe includes the reinvestment of fees because those fees were allocated to projects that did not access the density bonus. They were developing affordable housing outside of that program.

>> Tovo: Great. So the 814 does not include, we don't think, any units created through the reinvestment of fees. And I would be really interested to know how many of those were beyond the

3:18:41 PM

requirement, you know, what I'm saying? Beyond the on-site requirement.

>> How many chose to have their entire affordability requirement as on-site?

>> Tovo: Exactly, yeah.

>> Casar: Chair? Again, I'm gonna risk here talking off my memory of our discussion on our last uno project but I remember getting some of those facts, and my recollection is that the large majority of the projects did 10% on-site and then paid the separate fee-in-lieu and I think there was one, maybe two, that did the -- all on-site, but I recall that -- and I think I'm not off-base here that most people did the 10% offsite and then the next chunk in the fee-in-lieu.

>> Tovo: So as a follow-up, I see that staff are not recommending making interim amendments to this one. I guess I'm still quite interested, and one of the reasons I brought forward the resolution, I'm still quite interested in really setting the expectation that our

3:19:42 PM

density bonus programs create on-site housing. And so one of the measures I will be bring before council for consideration is converting some of these programs so that they are up in that category of requiring council approval for fees in lieu and one of the programs I think weekender consider is the university neighborhood overlay. And I see staff are not recommending the university overlay or east Riverside category be in that category and I just wanted to hear your thought process on that and the rationale.

>> With the university neighborhood overlay, our thought was that that area has recently undergone code amendments that included a very intensive stakeholder process and we found that the program has our highest performer thus far. So we were not through this analysis able to identify any specific recommendations for

3:20:45 PM

code amendments and overall feel that it is performing and so that if we're going to prioritize areas for interim amendments, that would not be one of those areas we would prioritize.

>> Tovo: Thanks. We did have a case, at least one, possibly two, as you recall, where we were talking about that as council and whether part of what the developer -- well, anyway, we had that very conversation about that project and whether we could require that the on-site housing be -- whether require -- we could require that all of the housing -- all of the affordable component be met through on-site housing and it was determined that we really couldn't because the code provides for them that option. And so that's one of the reasons why I'm considering that program be bumped into that other category but that's level to know the reasoning -- helpful to know the reasoning. I think that's good information.

>> Renteria: And I also agree with that, we really need to look at Riverside, it's a very important area.

>> Tovo: The housing on-site.

3:21:46 PM

>> If I could clarify the staff's recommendation regarding east Riverside and university overlay, they should be considered through the comprehensive analysis and there may be amendments that are brought forward based on that.

>> Renteria: Any other -- one more?

>> Tovo: Yeah do I. I do have I think a couple more questions. Possibly just one. I know this -- I haven't had a chance to really dive into the really good information you gave about market, market prices and construction. So this -- I may have missed this analysis, but I'm wondering if you have any sense under, say, the downtown density bonus program if the three developments that participated in it had been required to provide 10% of their units on-site, how many units we might have gotten?

3:22:46 PM

>> That analysis is not included in the report.

>> Tovo: Okay. And so I guess the best way to get at those numbers, I think, too, as we continue to evaluate how we want to move forward as a city, I'm real interested in that number. So I think the best way for me probably to proceed would be to talk with planning and development about which three -- talk with housing about which three developments those were and then talk to planning and development about how many units were constructed as a result of those developments and just see what 10% would have been and then compare it to the cost of construction.

>> Yes.

>> Tovo: Okay.

>> Plantation development would be the best department to speak with.

>> Casar: Chair.

>> Renteria: Councilmember Casar.

>> Saldana: I think my one concern, mayor pro tem, with calculating it that way, is that that's assuming that it's calibrated sufficiently that they would take advantage of the 10%.

>> Tovo: I get that argument.

>> Casar: And so it -- you know, there are plenty of developments happening downtown, at least one recently, that didn't take advantage of any density bonus

3:23:46 PM

program and so that's -- that's the challenge that I face, just to share it, is that we can't -- if -- otherwise I would do 75% because then I could get 75% of the units downtown.

>> Renteria: Councilmember tovo?

>> Tovo: And, you know, that's a conversation that has been ongoing for years and years, and I look forward to continuing it. I would say the other thing about the downtown density bonus program that I'm weighing is that the fees are going to a real important priority, which is the permanent -- to support programs and construction related to permanent supportive housing but I need to get some sense of at least with those three developments if they did not opt out kind of how that measures up. Lastly, and I think this is my last question, the other change I'm interested in discussing at a council level would be to revisit non-residential construction downtown.

3:24:48 PM

Currently, its fee is set at zero, and so I think that we should really revisit that because in some ways we're incentivizing non-residential development downtown at a time where we also, you know, want to see more residential development so I don't know if that factored into any of your discussions about revisiting that in the longer-terminals and if you could just speak to that.

>> So the planning and zoning department, staff took lead on that component of the resolution. It was included in the resolution that this report is responsive to and I believe that their overall recommendation was that the comprehensive analysis would give us the economic analysis necessary to determine the appropriate fee amount for the non-residential uses.

>> Tovo: So their recommendation -- and I thank you for reminding me of that. I now recall seeing that language but that was really about where you collaborate the fee. Is that right?

>> So with the calibration of the fee and the calibration of

3:25:48 PM

the on-site community benefits, it's essentially the same process. We're looking at the calibration of those community benefits versus the value of those community benefits versus the value of the entitlements, additional entitlements that a developer is able to access. So the same process, the same analysis would be able to inform the fee amount or an increase in the percentage of on-site affordable housing.

>> Renteria:.

>> Casar:.

>> Casar: Mayor pro tem, I agree. I think we had this conversation months ago. We have a fee we do collect money from in other density program areas and it seems odd that it's set at zero downtown looking back at the resolution language that I think you and I put together. We did ask the dsm to bring us -- city manager to bring us this item and so I'm interested in following up and seeing what it is, even if we

3:26:50 PM

have to be conservative, what it is that we think the market might be able to bear, again, brings us back to the point of how do we make sure that we aren't getting nothing because we are breaking it but maybe there's some way of being conservative on that front.

>> Tovo: I completely agree with that approach. I believe we can set it at a conservative number and I think that would be to the advantage of the city and we can check that number with the analysis.

>> Renteria: Is that all the questions for staff and discussion here? Hearing anymore discussion, we're -- this concludes our council meeting. The next item is -- if there's any items that y'all want to put on for the next meeting, just -- if you have them here, I'd be willing to take it. You can always get halved our office and -- ahold of our office and I'd be more than

3:27:51 PM

willing to add on to our agenda for next meeting. Hearing non--- over here.

>> Casar: Not an item but since the mayor pro tem did reveal that it's Ms. Cook's last day, she's whispering over there so the whole point is getting lost but you've been a mainstay at this community

and at mine and we really thank you for your service. You've been excellent in your hard work here is going to be sorely missed so thank you for being here with us.

>> Renteria: And I also want to say the best in your -- for your future, on your future, moving on up to national level. But we really appreciate all the work you have done. Thank you. Council.

>> Tovo: Chair, I may really be stepping over my boundaries as a non-committee member but I just want to revisit the fifth recommendation in the report that talked about

3:28:52 PM

affordable housing benefits within them including tier one and I think my office had a discussion indicating that we're interested in bringing that forward as a resolution, but if the committee is supportive of that, that would be a great way for it to proceed as well.

>> Renteria: Okay. Thank you. Councilmember Casar? Do I hear a motion to adjourn?

>> Kitchen: Well, I --

>> Renteria: You have some --

>> Kitchen: I just have a question about this. This is the affordable housing community benefits in the P.U.D. Tier one requirements? Are we thinking that that requires some more thinking or was there a particular reason for not bringing that one forward?

>> Renteria: I didn't have a recommendation.

>> Kitchen: It's in the staff recommendations.

>> Renteria: Yeah. I mean, I didn't --

>> Kitchen: Can you -- can someone speak to that, provide some more thinking about that?

>> So the staff recommendation

3:29:53 PM

would be to -- if the council chose, to initiate a resolution that at least explores the possibility of a code amendment. And neighborhood housing would work very closely with law departments. There are some legal concerns around the requirement of affordable housing in the tier one of the P.U.D.S, but a resolution could move forward that would just initiate the process to explore the option.

>> Renteria: Any other questions?

>> Kitchen: Okay.

>> Casar: I think that I'm generally fine with that. My question on -- and this is -- since it is in tier two currently -- that's correct? The density bonus requirements --

>> Currently we call the density bonus tier three.

>> Casar: But in tier two we can set it as a reimbursement. Actually, maybe I'll just ask

3:30:54 PM

the mayor pro tem on this portion. So tier one is entry level, my understanding entry level requirements and tier two are set by -- that you can choose from a menu of options but this council could just set them as requirements on any given P.U.D.? Isn't that right?

>> I would have to refer to law to have -- be able to speak to whether you can require tier two community benefits. I think that's essentially the question that we're asking here. So right now tier one is mandatory, tier two is a menu of options and tier three is a specific voluntary program that exchanges density for affordable housing. So what the recommendation is from staff is that we either move affordable housing from tier two to tier one or have it as a component of all three tiers of the P.U.D.

>> Kitchen: And so the recommendation is to explore and bring back information?

3:31:56 PM

Correct?

>> I would say the recommendation is to explore the feasibility, and if it's determined to be feeble, then to -- feasible then to bring forward a potential code amendment.

>> Kitchen: Okay.

>> Casar: I mean, that seems fine with me.

>> Kitchen: Yeah.

>> Casar: My watching P.U.D.S in the past and participating and dealing with them now, it seems like even if it's tier two we can set an expectation that that's very important for us in P.U.D. Zoning and so if this is a better way of doing it, then I'd be interested in exploring it. I have no issue with that. But I'd leave it also up to the chair because this was your motion, and I -- and I was following your lead on these motions.

>> Renteria: And we can bring it -- bring that discussion up the next meeting.

>> Kitchen: Okay, if you'd rather wait.

>> Tovo: Sorry, yeah. Okay.

>> Casar: So if you'd like to wait on it.

>> Renteria: All right. Is there any other discussion? Hearing none, do I hear a

3:33:01 PM

motion to adjourn? Second? All right. We're adjourned. [Adjourned]