

CITY OF SEDONA  
HOUSING COMMISSION MEETING  
THURSDAY, JANUARY 19, 2006 – 5:00 P.M.  
VULTEE CONFERENCE ROOM - SEDONA, ARIZONA

SUMMARY MINUTES

1. VERIFICATION OF NOTICE, CALL TO ORDER, PLEDGE OF ALLEGIANCE AND ROLL CALL

The meeting was called to order by Chairman Martinez at approximately 5:00 p.m. on Thursday, January 19, 2006 and was followed by the Pledge of Allegiance.

Roll Call:

Commission Members:

Dee Durkee - arrived at approximately 5:05 p.m.  
Stephanie Giesbrecht  
Linda Martinez – Chairman  
Nate Oskar  
Diane Smith – Vice-Chairman  
Dan Surber – arrived at approximately 5:06 p.m.  
Jessica Williamson

Staff:           Audree Juhlin  
                    John O'Brien

2. COMMISSION AND STAFF ANNOUNCEMENTS

JOHN O'BRIEN:

- Stated that he and Linda talked about having a regular item on the agenda for project updates, so you are better kept in the loop on your recommendations as projects go through, as to where those go and how that works, so every meeting we will keep you posted.
- Explained that on your recommendations, just so you are aware, they are included in every Staff Report that goes to the Planning Commission and City Council, when you make comments on projects.
- Stated that it doesn't mean that all of your recommendations would be supported by staff or the Planning Commission or City Council, but your recommendations do go forward and you can go to the council meetings and state your views, if you need to or if your recommendations aren't moving forward through the process.

CHAIRMAN MARTINEZ:

- Asked if their recommendations are abbreviated.

JOHN O'BRIEN:

- Stated they are pretty much verbatim.

CHAIRMAN MARTINEZ:

- Asked if it is changed, is it clear who changed it, so when council gets it they know who made the change.

JOHN O'BRIEN:

- Indicated that if P&Z takes action on something, and your recommendation is not included with P&Z's recommendation, then it is obvious that P&Z didn't go with your recommendation.

CHAIRMAN MARTINEZ:

- Asked if P&Z didn't go with our recommendation, between then and when it goes to council, is that recommendation dropped.

JOHN O'BRIEN:

- Stated yes, but the recommendation will still go forward, because it remains in the Staff Report that the council also sees.
- Gave the following updates:
  - Casitas at Dry Creek – is now down to seven units and that has not gone back to the Planning & Zoning Commission yet. Their marketing analysis showed that they would have a very difficult time marketing the small units, so they are coming back with fewer units, and that one will be brought back to you. It is tentatively scheduled for P&Z's April 4<sup>th</sup> agenda, and currently the developer is proposing some in lieu of payment, because they don't feel they can provide units on-site economically. They originally had 13 units, and then dropped it to 12 with four, 450 sq. ft. units, but then went to three, 600 sq. ft. affordable units.

CHAIRMAN MARTINEZ:

- Asked if the seven units still require a zoning change.

JOHN O'BRIEN:

- Responded yes and continued his updates as follows:
  - El Camino Condominiums – didn't pencil out and is off the books; they could not come to any agreement with the potential buyer who felt he couldn't get the density he needed to make it economically feasible. P&Z and the neighborhood had a problem with the proposed density, which was 12 units per acre. They had 24 units per acre, and then looked at scenarios with 18 units, but it didn't work for them.
  - Thunder Mountain – will go to City Council either February 28<sup>th</sup> or March 14<sup>th</sup>, and we will keep you posted. P&Z recommended approval and the developer proposed a \$50,000 in lieu of fee that P&Z accepted, and that will go to council to determine if that makes sense. He is aware that they want to speak to the council on that, so we will make sure that agenda is noticed properly for your attendance.
  - Condo Conversion issue – has some legal issues. The state statute says: "A zoning, subdivision or building code or other real estate use law, ordinance or rule shall not prohibit a condominium form of ownership or impose any requirement on a condominium, which it would not impose on a physically-identical development under a different form of ownership", so we're looking into this. Basically, it is where it is the same unit, but it is the ownership that is the issue.

COMMISSIONER WILLIAMSON:

- Stated it is not a condo, so it doesn't apply to what we are discussing.

JOHN O'BRIEN:

- Indicated that he reads it the opposite way; it would prohibit us from imposing any requirement on a condominium that we would not impose on an apartment.

COMMISSIONER WILLIAMSON:

- Stated that under our proposal, it is never a condominium.

JOHN O'BRIEN:

- Stated that it has been sent to the legal folks in the state and we've done the same with the members of the Arizona Planning Association, and we are starting to get responses.
- Indicated that Tempe and Flagstaff are concerned about the same issues.

COMMISSIONER OSKAR:

- Stated that "physically-identical" can be interpreted in a very broad sense, because that implies not legally-identical.

JOHN O'BRIEN:

- Announced that the form-based workshop will be held on the 27<sup>th</sup> at Los Abridados.

VICE-CHAIRMAN SMITH:

- Asked what that means.

JOHN O'BRIEN:

- Explained that the traditional zoning approach of separating certain land uses becomes secondary to the primary concern of the design and form of the buildings, so he is not sure if that is very housing-related, but we wanted to invite all of the commissions.

CHAIRMAN MARTINEZ:

- Offered up Dan to attend.

JOHN O'BRIEN:

- Asked that if Dan wants to attend to let Arlean know as soon as possible.

VICE-CHAIRMAN SMITH:

- Welcomed Wendy Escoffier, Projects Coordinator with the Housing Department, in Camp Verde.

CHAIRMAN MARTINEZ:

- Welcomed Nancy Scagnelli who is running for City Council.
- Welcomed Audree back and told her that she was missed.

COMMISSIONER DURKEE:

- Pointed out that in the January 13<sup>th</sup> newspaper, this meeting was posted as being on the 16<sup>th</sup> instead of the 19<sup>th</sup>, so we need to watch that.

JOHN O'BRIEN:

- Stated that it has been legally noticed for today.

CYNDY HARDY, SEDONA RED ROCK NEWS, SEDONA:

- Wanted to make it clear that she attributed it to the website, and it might be a good thing for the city to know, because she did that since she hadn't received an agenda yet.
- Stated that the website was incorrect, but she didn't know that, when she published it.

AUDREE JUHLIN:

- Explained that normally we would have sent out a cancellation notice and Cyndy would have seen that on the website, but she (Audree) wasn't here.

CHAIRMAN MARTINEZ:

- Stated that we are going to jump to item #5.

5. DISCUSSION/POSSIBLE ACTION FOLLOWING A PRESENTATION ABOUT LAND TRUSTS FROM SARAH DARR, LAND TRUST PROGRAM MANAGER FOR THE CITY OF FLAGSTAFF

CHAIRMAN MARTINEZ:

- Introduced Sarah Darr.
- Asked if everyone looked at the website, [burlingtonassociates.com](http://burlingtonassociates.com); stated good, then we are ready to move forward.
- Stated that Flagstaff is one of the most progressive cities in the country, when it comes to land trusts.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Indicated that she started with the City of Flagstaff over 5 years ago managing CDBG grants, and then she took over the position of Housing Planner.
- Stated that they have recently gone to 3 housing positions and will soon have 4 positions.
- Indicated that their council said they wanted to do a land trust, and they hired her to get the Land Trust Program set-up, running and then to administer it.
- Stated that she is going to talk about why do it, why Flagstaff is going to do it, and give an overview of subsidy retention versus subsidy recapture and how it works, an overview of the two key components that make permanent affordability work, and what exactly they are doing.
- Stated that regarding Flagstaff conditions, there is a large affordability gap, because they have a static Area Median Income, rapidly increasing land prices, and the minimum household income to afford a 3-bedroom apartment is \$45,000 and \$60,000 for a 4-bedroom apartment, and that is to spend no more than 30% of income on housing expenses, plus they're also seeing competition from investment buyers.

VICE-CHAIRMAN SMITH:

- Asked what the population of Flagstaff is.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Indicated that the census says they are around 62,000, but they didn't count NAU, so she would say they are around 65,000; they hit a population of 50,000 in 1995, which made them an entitlement community to receive federal funds directly from HUD.
- Stated that they just started gathering 2<sup>nd</sup> home data, because they are having a huge impact on their market, and they can prove 25%, and this is not 2<sup>nd</sup> homes where a resident owns one across town for a rental, this is unoccupied ownership, and they think it is higher than that, but the 25% is tax information that is sent to an address outside of their city limits and also self-definition for their Water Department billing.
- Indicated this is compared to the Phoenix MSA, and you see a huge jump between 2000 and 2005 for 2<sup>nd</sup> homes; the census data doesn't necessarily accurately collect that and neither do they.

- Stated that you can see their Area Median Income go up and their housing prices go up 85% in 5 years, and then they did 30% of the Area Median Income available for housing, monthly cost for a median-priced house, and that leaves a \$485 monthly gap.
- Indicated that Phoenix home prices have gone up faster, but they are still lower, so this is a little bit of what they are facing.

AUDREE JUHLIN:

- Asked where they got the 2005 information.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Stated from the water data and the Tax Assessor's information sent outside the city limits, and then they overlaid the two so they weren't double counting.
- Explained that their GIS Department made a map that overlaid the dots, and you can see that older, nicer neighborhoods have a huge concentration of 2<sup>nd</sup> homes, but they are also seeing vacation homes in the new neighborhoods and in the low-income neighborhoods.

COMMISSIONER OSKAR:

- Asked if there is any separation from families who buy homes for their student at NAU.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Stated that they are trying to harness the unoccupied, and that is part of the difference between the 2000 census and the 2005 information; they are trying to find those truly seasonal residents that don't have students residing there.
- Indicated they couldn't get information for homes that have mail on permanent forwarding, and they tried all kinds of doors around this subject and this is as close as they could get.
- Stated that GIS is working to refine that number, but their initial numbers were really astounding.
- Indicated that incomes tend to rise, but housing prices rise faster, which creates the affordability gap.
- Stated downpayment and closing costs assistance loans were started in 1993 to help families with that initial cash outlay to get into a home; they can afford to pay rent and can often afford to pay a mortgage in their community, but they can't afford that initial price outlay, so they have done no-interest loans, not due until sale or refinance with cash out or the home is no longer owner-occupied.
- Indicated that the city did that with general funds that can assist an household with an income of up to 115% of Area Median Income, because even in the 90s, they were seeing that even at 80% of Area Median Income, they had people who couldn't afford homes, so the city created general funds in a revolving loan account, so that money comes back into the same account, when it is paid back, so they can help other families.
- Explained that with subsidy recapture, they get it back and don't ask for interest, and the money is going to be flipped again, but the problem is, for example, if they give \$20,000 and 7 years later, the family decides to sell, they are going to pay them back, and they will get their full investment back to reinvest, but the housing prices have gone up so much that \$20,000 isn't enough, so they have to add additional subsidy to keep that unit affordable every time the property is sold.
- Stated that while it provides home ownership opportunities, it is not a long-term solution, because the subsidy pool keeps growing and they are serving fewer and fewer people every year.

- Indicated that with subsidy retention, or public equity retention, the Community Land Trust Program will retain a public investment and provide permanently affordable housing.
- Said it is a Community Land Trust Program and not a Community Land Trust, because a trust is a separate third-party entity, and they are not creating a separate entity, they are creating a city program that follows the Community Land Trust concepts.
- Indicated that a CLT, Community Land Trust, typically makes it possible for people to own homes on leased land with long-term leases; typically, 99-year renewable leases, so it is a permanent leasehold interest in the land.
- Stated that the buyers lease the land, but they own the home and all of the improvements on it, so they can do with it as they choose.
- Indicated that Community Land Trusts traditionally are community-based organizations, often grown out of grassroots efforts, and their main purposes include:
  - Permanent stewardship of land for community benefits
  - Perpetual preservation for affordability of housing on that land
- Stated that you hear about a lot of trusts, i.e., conservation trusts, agricultural trusts, but Community Land Trusts are specifically for housing.

COMMISSIONER DURKEE:

- Stated that the people own the house, but they are leasing the land; asked if that land lease is paid to the land holder, which in your case would be the city.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Responded correct; the land lease is a nominal amount, it is not leased at market rate.
- Stated that lease fees around the country with Land Trust programs are between \$20 and \$50 per month, but there are a couple of reasons for having a lease fee payment of some kind:
  - It feels right to people who own the land and to the community.
  - It is a great red flag for program administration, if someone is not making their lease payment, are they making their mortgage, so if someone is falling behind in the lease payment, it allows the program to make a call, so foreclosures on land trust homes are very low, because there is a third party interested, not just your bank and buyer, you also have the party who owns the land who is interested in making sure that unit is occupied by a qualified family for purposes of the community as defined.
- Indicated that the concept was developed in the 60s, but instituted for community economics in 1992; the Community Housing Development Act specifically defined Community Land Trusts and made them eligible for HOME funding under HUD's umbrella, and since the 60s, more than 118 functioning programs have been established in 33 states, but there are more than that, Tucson has 4, but only 1 of them is functioning.
- Stated not all of them own units, for example, one in Northern California, after seven years, almost has enough to buy a home in their market, which starts around \$750,000.

CHAIRMAN MARTINEZ:

- Asked how many of the 118 are city programs.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Stated zero; they are the first in the nation, but there are city-sponsored programs, i.e., Tempe provided staff and money; Burlington, Vermont, the oldest land trust in the

nation, provided staff and funding, but there is not another city in the nation that intends to hold on to the ownership of the land, and she is learning why.

- Indicated that they are limited by city charter, when they started wanting to create a Community Land Trust, they shopped it and took it to one CBDO, Community-Based Development Organization in town, now called BOTHHANDS, and they weren't interested in doing it and Habitat didn't think they could do it.
- Stated that they told the council that there were two options unless they create a new non-profit, and they wanted to move faster than that, because things are getting more expensive every day and they have city-owned land, and in talking with the City Attorney's Office, transferring a large public asset to a private, non-profit would not be a popular thing, so the council said they would create it as a city program.
- Indicated that HUD provided technical assistance through the Institute for Community Economics to assist them in the process, so HUD paid for a consultant, and they never saw the contract, but it was very beneficial.
- Stated that there are more than 5,000 units around the country, and the oldest is in Burlington, Vermont and they have a City Council member from Burlington who knows this, and it has existed for more than 20 years and has over 600 units from single-room occupancy units to single-family homes, so you can progress through the complement from a SRO into a co-op to a condo, and then to a single-family home, and they also own apartments and land that they have put commercial on, so it generates some revenue.
- Indicated that is not where you start, it is where you end up, and it is great that because they have been in existence so long, they have resale on their homes that Flagstaff can learn from, so that is a great resource.
- Stated that an interest-model provides the general framework for the program, it separates the ownership of the land and the unit, but the beauty of this model is that there are so many options that you can adapt for local success, i.e., what are the local priorities, who do you want to house, some programs only house very low-income families and some house up to 200% of Area Median Income, so you get to pick your own community's priority.
- Indicated the other big question is how does it stay affordable and what are the tools.
- Stated that the two biggest pieces are the ground lease and the resale formula.
- Explained that the ground lease establishes the relationship between the program and the homebuyer, and the resale formula establishes the price of the home for future eligible buyers; these are not market rate units, this is a limited equity deal.
- Stated that the ground lease spells out the rights and requirements for both the program and homeowner, and the major ones for the homeowner include:
  - Ownership of buildings and other improvements and the right to occupy and use the land for as long as they want, and what they can and can't do is all covered in the ground lease.
  - These need to be owner-occupied, they are not rental units.
  - If they sell the home, they must sell to another qualified household or back to the program, and the price they receive when they sell must be limited by a resale formula.
  - Provides a condition in the ground lease that specifies what they mean by ownership and there are exceptions, i.e., you are sent to Iraq, but they aren't going to take your home away, and you will never have all the exceptions covered.
- Explained that the two primary goals for any resale formula are to give homeowners a fair return for what they invest and to keep the resale prices affordable for households in your targeted income level, so you have to decide if you want to incentivize

longevity in the unit or give a big return and get people out in the market as fast as possible, and is that possible in your market.

- Stated that in Flagstaff you can't afford to move in the market, when you own a market rate home; there is no mobility there, so decide what you are trying to incentivize.
- Indicated the three most commonly used resale formulas are as follows:
  - Index – is the purchase price, the first time you purchased it, times change in the index equals the resale price. It could be an income index or a price index, some are tied to the Area Median Income, so it will only go up as much as the Area Median Income goes up, some are tied to the Consumer Price Index, and in Jackson Hole, Wyoming, the units are actually losing money, where they have two trusts and one is tied to a regional Consumer Price Index, and in that regional area is Denver and their housing market tanked, so this small set of land trust homes started losing equity. Other locations love tying it to a regional index, and there are no two formulas in the nation that are exactly the same, so this is another area that gets complicated, but you can pick and choose what would work best.
  - Appraisal-based – is the purchase price plus the difference between what the new appraisal is versus the purchase price, times a percentage equals the resale price. Twenty-five percent of the change between now and then; a lot of programs tie to these.
  - Itemized – is the purchase plus the homeowner equity invested or earned to date, plus an inflation factor, plus the value improvements added minus depreciation, minus damage equals resale price; there are some places that like this, because they can truly control the pieces.
- Indicated that she is going to give a copy of this presentation to Audree.
- Stated that their citizen committees said they like Appraisal-based, because Appraisal-based is the Itemized, but it is determined by a neutral third-party.
- Explained that the appraisal is based on what every other real estate appraisal is based on, i.e., the carpet, the appliances, the comps, and it is tied to the region, so it doesn't put the city in the position of going into a home and saying that is damaged beyond normal wear and tear.
- Stated they are looking at doing 25% between the sale prices; they discussed Index, and ICE, their technical assistance provider, provided them a worksheet to plug in numbers and fluctuations, and with their market numbers, the difference between Index and Appraisal-based was about \$9,000 over 10 years.
- Explained that if you tie the change in index to an income index, it takes some of the risk out for the homebuyer, and their citizen's committee said these are homebuyers should be subject to the market just as any other homebuyer in the community; they shouldn't be insulating them from anything, if the market tanks, they are subject to the market tanking like every other homeowner in the community, and what if the income index goes up and the real estate market tanks, then they are providing additional subsidy.
- Stated that there is one more formula that is simple and the lowest one in the nation and that is 1% per year, period; if you invested \$100,000 you get \$1,000 per year; they are incentivizing longevity in those units.
- Indicated that in some you get 1% for the first 5 years and 2% for the next 5 years, and they go up from there; there are no two formulas alike and one is 3 pages long.
- Gave the following Appraisal-based example:
  - Purchase price is \$125,000 and land value is \$150,000, and they are not looking at the land value; that is separate.

- Appraisal Two - 10 years later – the improvements are appraised at almost \$204,000, which is about a 5% increase per year.
- Appraisal One was \$125,000 and the difference is \$78,000, and 25% of that is \$19,000 and change, and that is what they would get back out of the equity of the home, plus they came in with a down, so they would get that back and they get 10 years of what they paid down on their mortgage principal, and a lot of programs charge a selling expense; these do not traditionally use realtors, but after there is a waiting list and a buyer lined up, the program has a transaction that often charges a selling expense, so the net proceeds are almost \$40,000.
- Ten years of home ownership in this does not calculate in the taxes, the tax savings for homeowners, so the resale price for the home after 10 years would be \$144,633, so it has increased only about \$20,000 in 10 years.
- Looking at the charts they tend to get more affordable over time, incomes have gone up some, but that housing market is even further out of reach, and quite often the resale home can serve a lower income, but not always.
- Indicated they talked to City Council about what they were doing with subsidy recapture versus subsidy retention, and they looked like why are you even asking.
- Showed a statement that was crafted by one of their working groups, that says it is a tool to assist, not the tool, in meeting the needs of the community in the provision of housing for its essential workers while retaining the public’s investment in the housing stock.
- Indicated that they are not adding new subsidies until the housing unit is sold and their investment is growing, because it is in the land.

CHAIRMAN MARTINEZ:

- Asked her to say a little more about “essential workers”; we have retirees on a fixed income and artists.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Stated that they were often being misunderstood in talking about affordable housing, because of the stereotypes that go along with those words, and people picturing the project-types in New York and giant slums, and that is not what they were trying to do, and they’re also seeing that more and more of their workforce can’t afford to stay there.
- Indicated that they started discussing workforce housing, and they’re starting to launch a campaign with pictures of teachers, nurses, firefighters, etc., and they also hit their first incidence of NIMBY about 2 months ago; even though they have been building housing for 8 years, it has been in their lower-income neighborhoods and it was welcomed.
- Stated that they started moving into other areas of the city, and they said that they know it is needed, but don’t do it right here.
- Indicated that they created community working groups a year ago to receive citizen and industry input and determine who they should be serving, what should they be providing for the ground lease, what resale formula should be used and what should the process look like, and it wouldn’t be half the product that it is without that process.
- Stated that one of the people most vital to what they were doing was a potential homeowner; when she spoke, everybody listened, and they had a lender, a real estate agent, citizens-at-large, an NAU professor and others who work in the housing industry, and non-profit representatives, etc., and they had a group working solely on resale formula and ground lease, one working on the program objectives, and one working on an outreach and education plan.

- Indicated it was a painful process only because it was a lot of work and research, but they learned a lot and their product was a lot better, because they had a wide spectrum of opinions in the room and they were able to discuss some community stuff, i.e., who did they want to serve, and they started running numbers with the lenders that said okay, if you make this much money, this is what you would qualify for, and the developer across the room, said he couldn't even build a house for that even if he cut his profit margin off.
- Stated that they can't serve that income group, in reality, unless they heavily subsidize and start layering more federal and state money and more regulations, so they settled on 115% of Area Median Income, and they pulled income data and pay plans for the university, city, county and industry to see what professions were in that income range.
- Indicated that it included just about everybody, and for a family of 4, it was up to \$50,000, so two starting-out teachers wouldn't make enough to qualify for a mortgage in their community; after they had been there for a couple of years, they would still be eligible to participate in the program.
- Stated then there was the residency question, and they said they should be residents for a couple of years, because they need to know if they like the community or not, but the attorney's office said that they couldn't do that.
- Indicated that they did require that they be residents at the time of application and at the time of the purchase of their home, but they can't legally say that you need to have lived in the community for x number of years prior to purchasing the home, so they have eliminated the durational requirement of residency.

VICE-CHAIRMAN SMITH:

- Asked how long they worked with these groups before coming up with this.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Stated that they started meeting in January and she made an initial presentation to council on April 25<sup>th</sup>, and then they met for about three weeks after that to get the feedback from council and what the community members thought about that.
- Indicated they started out with three groups meeting once a week and a sole staff member, but it wasn't possible to do that work of going to the groups, finding out all of the information they needed, and then doing the research, so they started meeting every other week, and sometimes they had an extra meeting if the information was done.
- Stated that they told the community members that they were going to work them to death, but for a short amount of time, and had they accomplished this last summer, they could have already had units.
- Indicated that one of the reasons they set it up as a community program instead of a non-profit, is that they could move with a little more speed, because they have the resources, i.e., someone in accounting, an attorney, etc. and they had city land that they could use.

VICE-CHAIRMAN SMITH:

- Asked if they approached the City Attorney's Office about particular groups, i.e. firefighters, etc.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Stated not with the City Attorney's Office, but they have heard from the City Council that they are afraid that 115% is too low or not high enough . . . (tape unclear) . . . but there are firefighters and teachers that are above that income level, so they have

proposed to City Council a “soft ceiling”, although it has not yet been approved, but if you are below that 115% and you meet the other criteria that is fine; however, if you are an essential community worker and your income is above the 115% and your employer is willing to write a letter saying that this person is essential to their workforce and you can show that you can’t compete in the open market, not due to consumer debt, and you are willing to go into a limited equity deal, then they will evaluate those on a case by case basis.

- Indicated they are hoping to use this not only as a retention tool, but also has a recruitment tool for employers, and that is another reason that, philosophically, they moved away from the residency durational requirement.

JOHN O'BRIEN:

- Stated that he is trying to get a handle on what staffing is necessary to set this up; asked if she works full-time doing this.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Indicated yes.

JOHN O'BRIEN:

- Asked how many other staff members work with her on this.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Stated that they were working on this with 2 staff members and they were working on 18 CDBG and doing this in their spare time; she wrote a proposal and said that if you want this done well, this is what it is going to take and provided the hours and justification for a full-time position, so they hired her to this position in May, but until that time, they did everything in their spare time.
- Indicated that she left on maternity leave in June and was gone for 3 months, full-time for 8 weeks and part-time for 8 weeks, and in that time not a whole lot happened, except the attorney’s office looked at the ground lease and tried to work out some of the legal stuff with their charter and State law, so this is now her full-time position, but they are not staffed to fill her last position, so she is still overlapping by managing some CDBG and 2<sup>nd</sup> home research, etc.

JOHN O'BRIEN:

- Asked if we would need a full-time staff person to set this up.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Indicated that it depends on what you want to do; they wanted to move with speed and if they had not given them the full-time staff position, they would still be doing this and looking for approval 18 months out, and there are still pieces that she hasn’t been able to touch yet, i.e., they need to meet with the Assessor’s Office about how the property taxes are going to work, and there are a couple of different options and the lenders are ready to do these loans.
- Indicated that Fannie Mae has a rider that they will attach to traditional lending documents, and they will purchase land trust loans on the secondary market, but they don’t want to talk to lenders, because the city doesn’t have an approved ground lease yet, and until the lenders can see the lease, the lenders don’t want to have a meeting about it.

- Stated that there are still a lot of things that still have to take place and without a full-time staff person that is a longer process, and they are never going to be all the way there, so her goal is 80% done, and the other 20% will fall into place, because if they wait until everything is absolutely perfect, they will never move forward.

JOHN O'BRIEN:

- Asked about the 80/20 rule that she mentioned in a telephone call.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Indicated that she has got stuck in a project trying to get it absolutely perfect and somebody finally said you are 80% of the way there, and it has been easier to look at it that way, because it is never going to be perfect, but they've got to get it done and the other details will work their way out, if you are looking at the bigger details.
- Stated that Tempe had some major detail missing and they were in the process of the sale of their first home, but it worked and all of the details fell into place.

JOHN O'BRIEN:

- Asked is she would be willing to share her package of information that she used for justification with the City Council and her funding.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Responded absolutely.

JOHN O'BRIEN:

- Stated that would be helpful, because the Housing Commission plans on doing the same thing with the City Council for this next budget round.

CHAIRMAN MARTINEZ:

- Indicated that she has also asked Sarah if she would make this presentation to the City Council, and she agreed to do it.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Stated that she would be happy to do it and tailor the information; she doesn't believe in recreating the wheel, and she has talked to programs all over the nation and gathered job descriptions, and ICE has a list of duties and what needs to be done, and for example, she could look at it and say they are not going to be a membership organization.
- Indicated that a lot of programs are membership organizations, so they are busy recruiting members to pay annual dues and have member functions, and she could cross that off and that staff to do that, that is not what they are going to do.
- Stated that they have had a dedicated City Attorney, and that is probably 1/10 of what she does, but it was important to have someone she could call who is familiar with the concept and knew where they were and what they were doing, and that was critical, because before that, there were three different people working with different pieces of it and things were getting missed and there was a new education process every time a new topic arose.

COMMISSIONER WILLIAMSON:

- Asked if there are the equivalents of CC&Rs in the ground lease.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Stated that there are; there is a model ground lease designed by the Institute for Community Economics and it is written based on Eastern law, so it had to be converted to work with Arizona law, but there is a list of decisions for their committee to make, i.e., maintenance, rights to inspection, do you want to incentivize maintenance, etc., and there are options, do you want to go into additions to your city's zoning codes or do you want to stick with what the rest of the community has.
- Indicated that their citizens' committee recommended that they don't do anything above and beyond what the rest of the community would be subject to, but some programs have decided they need to do more than that.
- Stated that one program in Anchorage had to limit the number of sled dogs you could have, and there is a way to amend it within the lease written, if there are local issues, but they decided it is not subject to anything more than the rest of the community.
- Indicated that the ground lease is made to work with other CC&Rs, not instead of, so if the home is within an existing neighborhood, and there are two ways to do land trust homes, one is a development model where they intend to have these built and the other is a buyer-driven program where you say these are the parameters for what they will consider purchasing with you, but you go find a house, so the consumer finds the home and then you partner to buy it; the program buys the land and the consumer buys the home, so it is truly a scattered sight in your existing neighborhoods, but not an economically-feasible model for Flagstaff without additional subsidies, because you are competing with the open market, whereas, with the development you can control some of that cost and sell for what it is going to cost to pay for the construction loan.

VICE-CHAIRMAN SMITH:

- Stated that you are creating the value of the land to start, if you own the land already; otherwise, you are coming in late.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Agreed; stated that she likes the buyer-driven program to combat NIMBY; however, at a Land Trust Conference this summer there was a whole session on buyer-driven programs, and they started running their numbers, and they couldn't do it without lots of additional layered subsidies.

COMMISSIONER WILLIAMSON:

- Asked how they establish a value for the city-owned land.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Stated that they have acquired some land through Development Agreements, some was purchased by the city a long time ago, and some was land trade deals; they have yet to purchase a piece of land specifically for this program.
- Indicated that the city has land acquired years ago specifically for affordable housing that has not yet been utilized or was acquired for another purpose.

COMMISSIONER WILLIAMSON:

- Asked if that will be valued at an appraised value for purposes of the formula.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Explained it really doesn't fit into the formula, because the land value doesn't affect the resale price; it is a completely separate component.

- Stated that they are getting ready to buy their first piece of property soon; the Development Agreement should be going to council next week, and it was a developer that was asking for an annexation, a Major Plan Amendment and a rezoning; figuring the City Council was going to say what can he do for them, he said that he had a piece of land that could hold 7 units, and they can put 26 units on it utilizing it differently, but he agreed to sell that land to the city at the price he paid, which was \$1.05 per sq. ft. and do the public improvements at his cost, and they will get the economy of scale, because he will be doing the improvements for his subdivision right across the street.
- Indicated that it is a beautiful piece of property that is flat and it doesn't have a lot of trees, and they are going to use city General Funds to buy it, because using CDBG money means that 51% of the units would have to go to 80% of Area Median Income and below, and that means they would have to add additional subsidies just the way their construction prices work.
- Explained that they can't build for less than \$150 per sq. ft., their construction prices are typically 25% more than Phoenix for a couple of reasons, one is their topography, they're on a rock shelf, and they also have a hard time getting work crews and sustaining crews, because they have a seasonal building season and there is no place for them to live.

CHAIRMAN MARTINEZ:

- Stated that you weren't going to work your working groups long, but you have continuing needs with the community groups; asked her to address that, and secondly, is the City of Flagstaff doing the actual development or are you inviting a developer to come in, and if a developer comes in, would you still offer them other incentives.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Stated that regarding the working groups, they worked them a short amount of time and took from them their guiding principles, and she has not gone back for community input in a formal manner, because they have been able to stick with what the group suggested and meet council's guidelines as well.
- Indicated they will have citizen input, because it has to go to City Council for approval and there has to be public hearings.
- Stated that Land Trust Programs formed outside of the way they are doing it, traditionally have a tripartite organization, 1/3 program home residents, 1/3 housing industry professionals and 1/3 citizens-at-large.
- Indicated that they will have a governing structure of some type, but City Council is the ultimate governing structure for their Land Trust Program, because by city charter they make the decisions on what happens with city land, but she has suggested that she have some type of guiding body that she can go to, because she shouldn't have to bother the City Council with Joe Smith was just sent to Iraq, so she is suggesting an advisory committee as an advisory to staff, not City Council.
- Stated that will enable staff to write homebuyer selection policies and procedures and make those low-level decisions; she is looking to the City Council to make the big programmatic decisions and not bother them with everyday mundane things.
- Indicated that they have written a mediation process into the ground lease, so if there is a conflict, before escalating legally, they will go through the mediation process.
- Stated that they are writing into the policies and procedures that if they have an issue with staff, there is a staff appeals process before it needs to go to the City Council.

- Indicated that she is close enough with most of the citizen members and has called the potential homebuyer a couple of times to gut-check a couple of things, and that input has been very valuable.
- Explained that regarding how they intend to have these built, the city charter says that they can't do any lease without it going to the City Council and first going out for RFPs, but she is not comfortable taking each one in front of the City Council and saying here is their income and where they are going to live, and is it in request for proposals, no, but what they can do is publish an RFP for the development of the land, and then lease the land to the developer to develop the homes, and he is going to sign the leases to the homebuyers.
- Stated that the city will provide the buyers and screen them, and they will be eligible, but then the buyers will purchase the home from the developer, so they haven't violated their charter and they've gone through an RFP process, they leased the land and then individuals will be assigned to the buyers.
- Indicated that they are looking at not terminating the lease with each individual, if you sell to me that lease is transferable to me, and it will start the 99-year clock again, but you are not dragging me back in front of City Council or looking to transfer a new lease, it is a transferable lease.
- Stated that so far the City Attorney's Office has said, "Well", but it works, it doesn't violate anything, but she doesn't see another way right now without dragging everyone individually in front of the City Council, and they have the right to keep the income information confidential, and she doesn't think the City Council would want to be looking at 5 leases in every meeting, so they are looking for more efficient ways.
- Indicated that is one of the hard things in creating a municipally-sponsored program, because they're limited by their charter.
- Stated that there are a lot of benefits for them, but there are also some drawbacks in what they can and cannot do.

COMMISSIONER OSKAR:

- Asked if the city looked at doing one large lease of the land to a non-profit, and then having the non-profit sublet, so to speak.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Stated some of them, but it would double their administrative costs, because they would be overseeing what the non-profit is doing and then paying their administrative costs too, so by doing it this way, they have one administrative price versus two or one and one-half, and that is what they are seeing with a number of their programs right now, because they are overseeing what is being done and they are paying all of their administration for one of their programs, and this is how they have done most of their CDBG stuff, but HUD has recently started saying they want to see the biggest bang for their buck possible, and although you are not spending more than 20% of your CDBG allocation on admin, what they are spending on admin can't figure into that cap and they can't spend more than 20% of what their award is, so that dollar is decreased by admin in both places.
- Indicated it would be possible to do and that is partly how the Housing Authority works, but that is not a city department, it is an instrumentality of the city where their City Council appoints the board, but the city owns the land, so they kind of have a lease, but the lease is very different.
- Stated that in years to come it may be more financially feasible to contract out the administration fees, but the city would still hold the leases, even though the

administration would go to a non-profit and the city would still own the property, but they didn't had an entity for that process at this time.

CHAIRMAN MARTINEZ:

- Asked about the size of these homes.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Stated that not necessarily on the piece they are about to purchase, but they are about 1,200 sq. ft. and they can build that for about \$180,000, so that only goes down to about 78% of Area Median Income to qualify without additional subsidy.

CHAIRMAN MARTINEZ:

- Told her of a development of 585 sq. ft. units at that price, and the developer couldn't make it work with a little assistance, but the land is in there.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Stated that they are looking at pure building.

COMMISSIONER DURKEE:

- Indicated that the state has some programs, but the formula for how much assistance they will provide, includes the cost of the land, so when it is a land lease, she is assuming that the value of the land is not part of the formula.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Explained there are two ways to look at that, stated that there is something called the 203b mortgage limit, which is the maximum price Fannie Mae will pay to buy a mortgage, and there is wording in there that Oregon has started considering in this way; it says the value of the improvements, and that is how it is worded, so they have been arguing that they can separate that land value out, and improvements can be valued up to that limit.
- Stated that they have been working with Carl Kinney from the Arizona Finance Authority and he plans to take it to the Housing Commission; they are interested in looking at it to see if it jives with what they are doing.
- Indicated that Fannie Mae says that if you use the model ground lease that ICE provides, they will automatically approve your program, and Fannie Mae is willing to work with them and go out to the lenders to say they will buy these, so there is another good name there to talk to the lenders.

COMMISSIONER DURKEE:

- Asked what assistance, if any, they will provide for the folks that apply for these units.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Stated that they haven't had any apply for them yet, but they will require homebuyer education; it increases your success rate and decreases your foreclosure rate, and they will require a separate educational piece on land trust program home ownership.
- Indicated it is a different deal and they don't want anybody coming into resale saying they didn't know, so there is not only a lot of staff work going into getting this running, there is also post-purchase support.

- Stated that part of the ground lease talks about capital improvements on the property, and it is important that the housing unit stays affordable, so doubling its size doesn't make it stay affordable, but do they care if they paint it pink with polka dots.
- Indicated that their committee said no they don't, if they're increasing the square footage or tinkering with the structural integrity at all, then they want to know and they have approval rights over that, and the ground lease specifies that it must be done to city code and in a professional workmanship manner.
- Stated that another conversation was about what if they tile it themselves and it is not done very well, but it is going to be an Appraisal-based formula and that will be reflected in the appraisal, so they don't care.

VICE-CHAIRMAN SMITH:

- Asked about if they wanted to add on a 4-car garage.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Stated that would be tinkering with the structural integrity and that would be written in the capital improvements procedure, and they have the ability to say no, if it is going to make the unit inherently unaffordable.

COMMISSIONER DURKEE:

- Asked how the people know what kind of resources there are.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Indicated that the education covers a lot of that and they provide that education with their downpayment and closing costs assistance programs, and it covers everything from what your monthly payment looks like, what can you afford, what does buying a point mean, what is okay for you to charge, etc., so they have those resources already in the community, and they made a flowchart of what the program application looks like.
- Stated that BOTHHANDS and NACOG is doing that; they fund programs with them, but that counseling is pretty much open to anyone.
- Indicated that NACOG does classes and BOTHHANDS does one-on-one counseling, with essentially the same material.
- Stated that they are developing an application, some programs ask for rental information from past landlords, but do they care and are they going to call them; some programs ask, because they are a grassroots community-based program, and the potential homebuyer has given back to the community and they ask for a number of community service hours before they are eligible to purchase a home, but they are not looking at doing that, because it was something they were not ready to administer and how does it work with faith-based, and the citizen committee said no.
- Indicated that the citizen committees were valuable, because they put some of that aside.
- Stated that they are looking to partner with their local Habitat, which has had a hard time building because of local land prices, and they are also facing their first resale in the community, and Habitat holds the zero-interest mortgage with a first right of refusal, but there is not a Habitat family that could qualify for a mortgage, even if Habitat held it for the market purchase price of that home now.
- Stated that in market conditions now, first right of refusal doesn't work, so Habitat is looking at a family with a huge windfall and losing that unit to the open market.

- Indicated that the city was doing units and doing seconds for the difference in value, thinking they could get another family in there, and the finances just don't work that way anymore, so that component of permanent affordability is critical.
- Stated that Habitat has said that they will build on your land and they'll administer, and that is how they are looking at serving a much lower income group.

CHAIRMAN MARTINEZ:

- Thanked Sarah for coming.

SARAH DARR, LAND TRUST PROGRAM MANAGER, CITY OF FLAGSTAFF:

- Indicated that they can exchange information at whatever point.
- Stated that they are really lucky having the land they have and a City Council that is choosing to use it this way, and some responsible developers.
- Indicated that they do have other development incentives; they do not waive fees, because the City Attorney's Office says it is illegal for them to waive fees, but they can pay them.

CHAIRMAN MARTINEZ:

- Recessed the meeting at 6:30 p.m. and reconvened the meeting at 6:35 p.m.

Note: Commissioner Oskar left the meeting during the break.

4. PUBLIC FORUM (for items not on the agenda)  
Having no requests to speak, the public forum was closed.
9. DISCUSSION/POSSIBLE ACTION ON COMMISSION WORK PLAN AND/OR PREPARATION FOR MEETING WITH CITY COUNCIL  
CHAIRMAN MARTINEZ:
  - Suggested tabling this item until the next meeting.
10. DISCUSSION/POSSIBLE ACTION TO CONSIDER FOCUS GROUPS COMMENTS IN REVISING THE LAND DEVELOPMENT CODE'S RESIDENTIAL IN COMMERCIAL ZONING DISTRICTS ORDINANCE  
COMMISSIONER SURBER:
  - Stated that we can table this, but he wondered if everybody received the notes and the summary.

Several commissioners indicated they had received the information.

AUDREE JUHLIN:

- Asked that any comments be forwarded to her only and not to anybody else

11. DISCUSSION/POSSIBLE ACTION REGARDING THE COMMISSION'S COMMUNICATION/EDUCATION PLAN, POSTER CAMPAIGN AND INFORMATIONAL BROCHURES  
COMMISSIONER DURKEE:
  - Indicated that she is okay with tabling this item.

Note: Chairman Martinez stated that the commission is tabling agenda items 9, 10 and 11 and moving them to February 6<sup>th</sup>.

3. APPROVAL OF MINUTES: December 5, 2005, December 12, 2005 and January 9, 2006  
CHAIRMAN MARTINEZ:

- Asked if there were any changes.

MOTION:

COMMISSIONER GIESBRECHT MOVED TO APPROVE THE MINUTES OF DECEMBER 5<sup>TH</sup>, DECEMBER 12<sup>TH</sup> AND JANUARY 9<sup>TH</sup>.

COMMISSIONER DURKEE SECONDED THE MOTION.

VOTE: MOTION CARRIES, SIX (6) FOR AND ZERO (0) OPPOSED. (Oskar excused)

5. DISCUSSION/POSSIBLE ACTION FOLLOWING A PRESENTATION ABOUT LAND TRUSTS FROM SARAH DARR, LAND TRUST PROGRAM MANAGER FOR THE CITY OF FLAGSTAFF (continued)

CHAIRMAN MARTINEZ:

- Stated that she wanted to get some quick responses on the commission's reaction.

VICE-CHAIRMAN SMITH:

- Indicated that it is the only thing that makes sense to her, taking land out of the equation is very sensible.

COMMISSIONER GIESBRECHT:

- Stated that if we didn't have the land to worry about, she would just say that we ride on their work.
- Indicated that everything is totally logical and makes sense.

COMMISSIONER DURKEE:

- Stated that she was amazing; it is always gracious to meet someone who is willing to share their work.

AUDREE JUHLIN:

- Indicated Sarah is great, she has talked with her many times and she has been a great asset in working with the Development Agreements.

JOHN O'BRIEN:

- Stated very informative, but we definitely need a full-time staff person to do it, and if we don't, he doesn't think we can do it in addition to the Housing Planner.
- Indicated that we are going to request two housing positions this budget year.
- Stated that if council says they are only going to give us one, then this is probably the one we would want.

COMMISSIONER WILLIAMSON:

- Agreed it is the only program she has heard that solves the problem of long-term affordability, and it might be land that we get from developers instead of money.

COMMISSIONER SURBER:

- Agreed with everyone's comments.
- Asked regarding the money that we get at this point, where that goes and can we put it toward acquiring land.

JOHN O'BRIEN:

- Stated that the Summit money went into the General Fund earmarked for housing.
- Indicated it would go into a fund or a fund would be established for a land purchase.

CHAIRMAN MARTINEZ:

- Stated that they have a different council; asked how we get our council to move in that direction, and one is Sarah doing the presentation, but one issue is timing, because we have this window before the new council comes in and it is something that we do need to talk about, and time is critical.

JOHN O'BRIEN:

- Stated that the current council will be approving the budget for next year.

VICE-CHAIRMAN SMITH:

- Asked if it is easier for a council to respond that way when they have the land, whereas, our council, even if they are leaning that way, what do we have.

AUDREE JUHLIN:

- Explained that Flagstaff began looking at affordable housing issues years ago, especially when they established their Incentive Ordinance, so they have been looking at this for 8 years, and when they identified that the Incentive Ordinance wasn't working, this was another alternative, and we haven't reached that point where we have been dealing with affordable housing and have fully agreed this is an issue for Sedona.

CHAIRMAN MARTINEZ:

- Stated that they also have a different demographic make-up, with 25% in 2<sup>nd</sup> home ownership.

VICE-CHAIRMAN SMITH:

- Thinks we are very close to that.

CHAIRMAN MARTINEZ:

- Stated that the other thing is that the processes they had are no longer workable, so we can avoid a lot of mistakes by getting on this train.
- Indicated that the new formula that John is going to talk about will put us in a good position to acquire some funds.
- Stated that we have a problem with diminishing land, but there is still some and that may not be here by the time this is in place, and if we know this money will come in, then we should identify a couple of parcels now.

COMMISSIONER WILLIAMSON:

- Asked if our advocacy group will be in place in time to help with these things.

JOHN O'BRIEN:

- Stated that it is important to bring all of this stuff out in the joint meeting with council.

COMMISSIONER GIESBRECHT:

- Stated that before any argument, we need to preempt the fact that there is still a psychological implication that we can move these people out of the area into Cottonwood, Verde Valley, etc., and they are still going to say that we have Rimrock.

CHAIRMAN MARTINEZ:

- Stated that we are not looking to provide housing to everyone.

COMMISSIONER WILLIAMSON:

- Thinks the key to Flagstaff is their institutions and businesses are 200% behind it, and when we get the advocacy group going that is an argument they should be bringing to the council.

VICE-CHAIRMAN SMITH:

- Mentioned the person working with Flagstaff as an advisor, who was actually a potential buyer, and stated that we should be able to get a couple of those people too.

6. DISCUSSION/POSSIBLE ACTION REGARDING THE DEVELOPMENT AGREEMENT FOR THE PRESERVE AT OAK CREEK CONDOMINIUM PROJECT  
AUDREE JUHLIN:

- Provided extra copies of what John sent out on affordable housing.
- Stated this is the proposed Development Agreement that hasn't been approved yet and goes before the City Council on Tuesday; it is taking the Housing Commission's recommendation of 12 off-site units, with 6 to be 1-bedroom, 5 to be 2-bedrooms and 1 to be a 3-bedroom.
- Indicated that the developers and John had another option to consider and that was the in lieu of fees as a buy-out option.
- Stated that they researched it for us and came up with the program from Santa Barbara that they felt works well.
- Indicated that she followed up with several phone calls to the person in Santa Barbara who administers this program, so she feels pretty comfortable with what they are proposing, and she is going to explain it as she understands it.
- Explained that the formula takes the price the qualified people would be able to pay on their mortgage payments, and then they look at the mortgage rates based on the number of bedrooms, and the difference between what they sell for and what they qualify for is basically the in lieu of fee, so if they can only qualify for \$100,000 and they are selling for \$300,000 they get a \$200,000 in lieu of fee.
- Stated that part of the formula is they make it such that it is more attractive for the developer to provide the housing rather than the funding, so if you get the in lieu of fees, it is a good chunk of money in most cases.
- Indicated that in the packet, there is a formula called Appendix A to Exhibit E, and they are using Coconino County Area Median Income, and she did both counties, so they've taken the Area Median Income and broken it into the number of bedrooms and we would be considering a 1, 2 and 3-bedroom unit, because that is what the Preserve is proposing.
- Stated that this is the Housing Commission's recommendation at 125% of Area Median Income, so they have said the maximum Area Median Income is 125%, and then you have to calculate what percent of the mortgage you want, and in this case they said 35% of your income could be toward your mortgage, but you could put in any percent.
- Indicated that 35% gives you, based on our Area Median Income, a \$911 monthly payment they can afford and they included a 10% down payment, under the zero bedroom category, and that is just their policy, others do 20%, some do 0% or 5%, and that is a policy that you have to decide.
- Stated that then they've calculated a mortgage interest of 6.35, homeowner dues, utilities, and property taxes, and then you subtract those numbers from the \$911, which

leaves the actual mortgage payment to be \$547, and that is what they can afford for the mortgage payment, and the next number is 87.9 that the loan would be, plus a down payment of 10% for a final maximum sales price of \$97,000, and that is the number we would subtract from the market rate.

- Indicated that the other thing is the current median sales price that they are going for, and you subtract 15% of that for the developer's fees and then subtract that number from the sales price.

CHAIRMAN MARTINEZ:

- Stated that if the sales price was \$400,000 and 15% of that.

JOHN O'BRIEN:

- Stated that is \$60,000, which leaves \$340,000 as the top number.

COMMISSIONER DURKEE:

- Indicated that makes more sense than, "We'll give you \$50,000".

CHAIRMAN MARTINEZ:

- Stated, then subtract the \$100,000 rounded, so the in lieu of fee would be \$240,000.

AUDREE JUHLIN:

- Indicated that would be per unit, so if that was a 1-bedroom unit and we had 6 units, the in lieu of fee would be times 6.

JOHN O'BRIEN:

- Pointed out that the \$97,000 is not really in play, because none of these are 0-bedrooms, so it would probably be \$200,000.
- Stated that when the council approves the Development Agreement, they have to establish the market rate for the 1, 2 and 3-bedroom units.

AUDREE JUHLIN:

- Indicated that we have that from Diane that we will be providing to them.
- Stated that in Appendix to Exhibit E, it says it is a sample calculation and can be adjusted.

COMMISSIONER WILLIAMSON:

- Asked if they are using the actual sales price for the units that are going to be developed.

AUDREE JUHLIN:

- Stated no.

COMMISSIONER WILLIAMSON:

- Indicated, then it is on the median.

AUDREE JUHLIN:

- Referenced the 2<sup>nd</sup> page distributed and said that the 1<sup>st</sup> page is based on Yavapai County at \$46,400 Area Median Income, which is probably going to be the most likely scenario, so looking at the 1-bedroom, the maximum sales price will be \$114,000, and then based on the sales price that the 1-bedroom condos sold for last year, it was

\$178,800, so for the six 1-bedroom units, we would subtract \$114,000 from \$179,000 and that would be the in lieu of fees.

JOHN O'BRIEN:

- Stated that is \$65,000 per unit.

COMMISSIONER WILLIAMSON:

- Asked if that is only new construction.

VICE-CHAIRMAN SMITH:

- Stated that is every condo that was sold.

AUDREE JUHLIN:

- Indicated that for a 3-bedroom, it is \$202,000 as a maximum sales price and the average price is \$366,000, and we take 15% off of that.

CHAIRMAN MARTINEZ:

- Stated that the developer is coming out pretty sweet with this; you get a developer's fee that doesn't exist, because there is no development.

JOHN O'BRIEN:

- Stated that is how Santa Barbara does it.

CHAIRMAN MARTINEZ:

- Thought it was deducted from what the Preserve would price theirs at.

AUDREE JUHLIN:

- Stated no, we wouldn't know what they would price theirs at.

CHAIRMAN MARTINEZ:

- Stated no, no; everything coming in now is very high-end and things should be relative.

JOHN O'BRIEN:

- Indicated that it says that the median price of condos in the city shall be established by city staff and City Council approval of the Development Agreement based on data provided by the Sedona Association of Realtors or other source selected by staff for sales during the four most recent calendar quarters prior to the calculation.

VICE-CHAIRMAN SMITH:

- Stated that is what that is, but there isn't anything; Park Place would be the only new thing she can think of.

JOHN O'BRIEN:

- Agreed, but you would have to look at a 3-bedroom, 1,000 sq. ft. unit.

COMMISSIONER SURBER:

- Stated that he has four condos on Arroyo Piñon and they sold two; they were 3-bedrooms, 1,500 sq. ft. for \$500,000.

CHAIRMAN MARTINEZ:

- Indicated that you can't ignore what they are going for today, because if you go back 10 years, there is nothing relative to today and it puts us in a bind, and we have to pay today's prices in development costs.

JOHN O'BRIEN:

- Stated that we are not going back 10 years; it was the four most recent calendar quarters.

VICE-CHAIRMAN SMITH:

- Thinks her point is that the sale is going to reflect something that was built 10-15 years ago.

COMMISSIONER WILLIAMSON:

- Asked why the formula couldn't be approved by the council, and then say that the actual sales price of the units will be inserted, when the thing is done.

JOHN O'BRIEN:

- Stated basically they are not creating any units.

COMMISSIONER WILLIAMSON:

- Stated, so they can buy out of the units based on the actual sales price of their units.

JOHN O'BRIEN:

- Indicated that the developers need a number; they can't have it floating out there in the future; their units probably won't even be built for 18 months.

COMMISSIONER WILLIAMSON:

- Asked if they don't have a Performa that they are working from that gives the estimated sales price.

CHAIRMAN MARTINEZ:

- Stated they may, but for this purpose they are going to hope to get the lower value.
- Indicated that if we had a mix of the last four years and the current selling prices, but to neglect the cost of development now, it has to factor in that the cost of development is more.
- Indicated that at \$65,000 per unit, why would they want to build it, there is no incentive to build it in their development.

AUDREE JUHLIN:

- Suggested changing the amount of percentage on the mortgage and eliminating the downpayment assistance, because we don't have that program, whereas, other cities do.

JOHN O'BRIEN:

- Suggested having a rep go to the council meeting on Tuesday night to state your concerns, because the Development Agreement is so complex that his sense is the council may not take action on Tuesday night; they may use it as a work session.

CHAIRMAN MARTINEZ:

- Asked if we can recommend they do that.

JOHN O'BRIEN:

- Stated that Eric has recommended that, so feel free to attend the meeting and state your views and the meeting starts at 6:00 p.m.

CHAIRMAN MARTINEZ:

- Asked if Diane could do it, and if the commission is in agreement to ask that they don't make a decision on this to allow a little more time to look this over.

COMMISSIONER DURKEE:

- Asked why the 4 quarters can't be what new construction is.

VICE-CHAIRMAN SMITH:

- Stated that it can be; she can put in parameters, but there is not going to be a lot.

COMMISSIONER WILLIAMSON:

- Indicated she doesn't understand why the development fee is being subtracted, when they are not developing anything.

AUDREE JUHLIN:

- That could be the other recommendation from the Housing Commission.
- Stated that she will check that agenda regarding their attendance.

JOHN O'BRIEN:

- Stated that the meeting is at the Fire District at 6:00 p.m.

COMMISSIONER DURKEE:

- Asked if the possibility of the Preserve at Oak Creek rehabbing older properties as one of the options is part of this proposal.

AUDREE JUHLIN:

- Stated yes, but she hasn't read the final one.
- Indicated that P&Z said in the recommendation that they either build 12 units on one site, find several sites to build 12, rehab 12 sites as affordable units, or they pay an in lieu of fee, and they wanted the language to be flexible enough to cover that gamut.

8. DISCUSSION/POSSIBLE ACTION REGARDING 2006/2007 BUDGET

AUDREE JUHLIN:

- Stated that the budget needs to be submitted on the 25<sup>th</sup>, but if we have changes, it won't be a big deal to amend what we propose.
- Distributed what was budgeted last year, what has been spent to date as of the end of December, and how much is left.

VICE-CHAIRMAN SMITH:

- Asked if Martina's work comes out of this budget.

AUDREE JUHLIN:

- Stated no, that comes out of the City Manager's, because we didn't budget for it last year; however, this year, if we think we want to do more professional services, we need to budget for it.

- Distributed the worksheet that is to be turned in and stated that we don't have to worry about anything with employees, including the two proposed positions.
- Stated that she needs to know how much, of what is currently budgeted, we think will be left over, plus what we are going to propose for this next year.

CHAIRMAN MARTINEZ:

- Indicated that first we need to talk about what we can take in.
- Stated that we need to request a way to receive money, land, in lieu of fees, grants, etc., so it goes directly into the Housing Commission.

AUDREE JUHLIN:

- Stated that if the commission agrees, we will add a note that the Housing Commission is anticipating receiving in lieu of fees and grants, and then we have to give an estimated amount of what we expect to receive.

CHAIRMAN MARTINEZ:

- Indicated that the revenue would come from any development, if they want to do an in lieu of fee.

COMMISSIONER GIESBRECHT:

- Asked if the commission would have the ability to invest that money.

AUDREE JUHLIN:

- Stated that the city doesn't just let the money set there.

COMMISSIONER GIESBRECHT:

- Stated, so we would accrue investment proceeds on top of the money.

AUDREE JUHLIN:

- Replied right, and the Housing Commission is welcome to say this is how they would like to see it invested and if it is different than what is done now, we could invite Eric to a meeting.

CHAIRMAN MARTINEZ:

- Stated that is based on a formula that we have not adopted yet, and that is a key point; if we decide as a commission that we think it is important to lock in some land and ask the city to lend the money, and it will be returned by the money we've anticipated coming through in lieu of fees, that is a key number.

COMMISSIONER DURKEE:

- Asked if part of the in lieu of fees is going to go for paying developer fees that will be waived.

CHAIRMAN MARTINEZ:

- Stated yes, it will go from this pot to that pot.

AUDREE JUHLIN:

- Explained that you would identify the revenue source, and then in the other part of the budget, you would say that we're budgeting \$100,000 to reimburse the impact fees that we're asking to be waived, so you would ask for a line item expenditure to cover those.

CHAIRMAN MARTINEZ:

- Stated that we didn't identify the source of the \$140,000 that is in the General Fund right now.

AUDREE JUHLIN:

- Indicated that we don't need to include that, because that is in there and allocated, but that was from a Development Agreement for the Summit timeshares.
- Stated that if Fairfield comes through, we might be getting money and that would be another source of revenue.

COMMISSIONER GIESBRECHT:

- Stated that she feels totally inadequate, because she doesn't know what projects are coming; she feels unqualified to quote any figures.

AUDREE JUHLIN:

- Indicated that she can fill in the blanks, but without that line item, it makes it more difficult for the council to receive the money.
- Stated that we can put a low-ball figure in and if we get more that is great; we just have to have it set-up so we can receive it.
- Explained that it has to be cash received after July 1<sup>st</sup>.

CHAIRMAN MARTINEZ:

- Asked when the Preserve's money would come through.

AUDREE JUHLIN:

- Stated it depends on when it gets through . . .

CHAIRMAN MARTINEZ:

- Interjected, see, there is the unknown factor, that is classic, because she was going to put in \$2 million, if the Preserves came through next year.

AUDREE JUHLIN:

- Explained that the way it was intended to be written was with Phase II, either the affordable units have to be constructed before any Certificate of Occupancies were issued for the units in Phase II or the equivalent of the in lieu fees have to be paid, so it could be a year.

CHAIRMAN MARTINEZ:

- Stated that she would drop the figure down then.
- Summarized that the commission would like for Audree to plug in some numbers and she will work with her.

AUDREE JUHLIN:

- Indicated staff will bring it back on the 6<sup>th</sup>.

COMMISSIONER GIESBRECHT:

- Stated that if you bring back the information, she is totally clueless, so if you bring back a number educate them on what it is based on.

COMMISSIONER DURKEE:

- Indicated she is okay with that; she just wanted to make sure the commission has a budget item for this community program we want to do and for another brochure; we have the history of the last one.

AUDREE JUHLIN:

- Stated that is Printing and Office Supplies.

COMMISSIONER DURKEE:

- Asked if we have to budget for refreshments, etc.

AUDREE JUHLIN:

- Stated that is Commission Support, but these are all from last year, so we have to plug in the numbers for next year.

COMMISSIONER GIESBRECHT:

- Proposed pumping up Professional Services big time, so we don't have to fight for something like Martina again.

AUDREE JUHLIN:

- Explained that she has to justify why we're asking for the increase, so we will have to think about what professional services we want.

CHAIRMAN MARTINEZ:

- Stated one was someone like Martina to help with the community forums, like a facilitator, so when people ask questions, she has had the experience to say others have tried that kind of thing, etc.
- Wants to jump to agenda item 12.

12. DISCUSSION/POSSIBLE ACTION REGARDING FUTURE MEETING DATES AND FUTURE AGENDA ITEMS

AUDREE JUHLIN:

- Stated that the next meeting is February 6, but the Council-Commission Day is February 13<sup>th</sup> at 9:00 a.m. in this room.

CHAIRMAN MARTINEZ:

- Wanted to ask for a longer meeting on the 6<sup>th</sup>, because we need to finalize the budget, do everything we tabled today and prepare for our work session with council.

AUDREE JUHLIN:

- Stated that we also have to get Martina in here as soon as possible.

COMMISSIONER GIESBRECHT:

- Asked if we could start earlier, like 4:00 p.m. to 8:00 p.m.

COMMISSIONER WILLIAMSON:

- Stated that she can't come at 4:00 p.m., but do what you have to do and she will figure out how it is going to work for her.

The consensus of the commission was to start at 4:00 p.m.

CHAIRMAN MARTINEZ:

- Stated that we will end at 7:00 p.m.

AUDREE JUHLIN:

- Clarified that is just an informal time, because you just agendize the starting time.
- Stated that HPC starts at 2:00 p.m., but she can ask HPC to go into another room.

Note: Commissioners Durkee and Giesbrecht left at approximately 7:20 p.m.

CHAIRMAN MARTINEZ:

- Stated that we will go back to the budget.

8. DISCUSSION/POSSIBLE ACTION REGARDING 2006/2007 BUDGET (continued)

CHAIRMAN MARTINEZ:

- Asked if they could shape the parameters of what they would like for her and Audree to do, and if there were any categories they think of to let them know.

VICE-CHAIRMAN SMITH:

- Asked if Advertising is where the brochure and poster campaign would be.

AUDREE JUHLIN:

- Explained that Advertising is putting paid ads in the newspaper, notices, etc., and the brochures and posters come out of Printing and Office Supplies.

COMMISSIONER DURKEE:

- Stated that we will have two more brochures by July.

AUDREE JUHLIN:

- Noted that the \$3,500 under Commission Support includes training, although there is a Training item above, and we will separate for these purposes only, how much we want in Training and how much in Commission Support, like when we bring in a speaker or have refreshments that is Commission Support, but Training is separate; however, we will combine them in the end, and that \$3,500 includes both.

VICE-CHAIRMAN SMITH:

- Stated something for consulting services would be good if we need some kind of consultation.

COMMISSIONER WILLIAMSON:

- Indicated that we need a lot of educational material for buyers, etc.

CHAIRMAN MARTINEZ:

- Stated that we really need the council to give us that direction as Sarah described, because if we get a direction to research the Community Land Trust, it will require some expense.

VICE-CHAIRMAN SMITH:

- Added, and a staff person or so.

AUDREE JUHLIN:

- Stated that will be a separate item.

CHAIRMAN MARTINEZ:

- Indicated bringing in private consultants to work with us, like a Martina; Sarah talked about the free technical support, but that only goes so far.
- Stated that when you really want to get to what works best in your community, that would be a really good place to plug in a consultant, and we should learn from Martina's fees this year.

AUDREE JUHLIN:

- Indicated that her fee is \$100 per hour and Dee said that is pretty typical.

CHAIRMAN MARTINEZ:

- Asked if there were any other categories or if they are okay with her and Audree working on this and bringing it back.

VICE-CHAIRMAN SMITH:

- Asked if we need a line item for Land Acquisition.

AUDREE JUHLIN:

- Stated that for what we want to expend, yes, if you want to purchase land in this next budget year, that would be an additional item we would add.
- Explained that is basically considered a capital expense, and that is different from the General Fund, so we will have a sheet that says that we wish to put \$2 million or whatever into Land Acquisition.

COMMISSIONER SURBER:

- Stated that if these in lieu of fees are within the year, some of these projects will take more than a year to complete; asked if we include those.

AUDREE JUHLIN:

- Stated that they can drop away and you don't know if they are going to build them or not; we don't even know until Tuesday night if City Council will even consider in lieu of fees, and they may go away, if council says they just want them to build it.

COMMISSIONER WILLIAMSON:

- Indicated that in lieu of fees could encourage delay.

CHAIRMAN MARTINEZ:

- Stated it seems that we need a statement on that.

AUDREE JUHLIN:

- Indicated that if Diane is going to represent the commission on the 24<sup>th</sup>, then you do.

CHAIRMAN MARTINEZ:

- Stated that we have discussed this and now we want to make it official that the Housing Commission believes in integrating and blending affordable with market rate homes, wherever possible, but we are also realistic, so if it is not feasible, and we recognize

that the land costs make it very difficult for the developer to build, and that there should be an option of an in lieu of fee, but it should be uncomfortable.

COMMISSIONER WILLIAMSON:

- Interjected that it has to pencil out, but it has to be significant and indexed to the actual cost of the unit they are not building; as a concept it has to bear a significant relationship to the unit being built and what it will be sold for.
- Stated that you have to look at the value of the unit you are foregoing by them not building it, and that has to be part of the consideration of what we get in lieu of.

CHAIRMAN MARTINEZ:

- Stated that some people would argue with that and would say that if you are going to attract a new teacher, it is not practical to consider living at Park Place when they arrive, so the in lieu of fee to reflect Park Place isn't practical.

COMMISSIONER WILLIAMSON:

- Stated that it could be a percentage of that; the formula has to be based on the value of the unit we are foregoing.

AUDREE JUHLIN:

- Indicated that regarding Santa Barbara and other communities, they use it to fund other housing programs, but one of the main uses is providing gap financing for the teacher coming in who finds a house for \$200,000 and can only afford \$100,000, and the city uses the in lieu of fees to pay that gap financing, and then it is considered either an affordable unit where you deed restrict it or it is a revolving account, so when they sell it that comes back.

CHAIRMAN MARTINEZ:

- Stated that is exactly what Sarah talked about and that is the difference between the recapture and the retention, because as the house appreciate very quickly, they are recapturing that \$25,000.
- Indicated that if we can get the basic idea down, she would be happy to draft a statement, if the commission is okay with that.

VICE-CHAIRMAN SMITH:

- Indicated that the point is that in lieu of fees shouldn't be the easy way out, it has to be a significant expense if you are not willing to build it.

COMMISSIONER WILLIAMSON:

- Stated that is exactly right.

AUDREE JUHLIN:

- Agreed, and stated the numbers Diane provided were much lower than anticipated.

VICE-CHAIRMAN SMITH:

- Pointed out that those are condos.

AUDREE JUHLIN:

- Stated that she knows when Council sees the actual prices, that is going to be a big factor in their determination.

VICE-CHAIRMAN SMITH:

- Agrees with the new prices, because you had land back then that was multi-zoned, and there is not going to be that many built since 2000; today, where are you going to find multi-zoned land to build it, you are not going to find it.

AUDREE JUHLIN:

- Stated that is another good point to make; basically, the only places that we are going to get it is in the residential/commercial zoning, and because we are so limited, that is not really a good comparison.

CHAIRMAN MARTINEZ:

- Recapped that we said the Santa Barbara model deserves serious consideration, but needs to be tailored for our market, and along with that, we want to consider the value of the new units to be built, and we believe in the inclusion of affordable housing with market value homes, but we are also realistic in terms of the feasibility in some projects, and in lieu of fees should be substantial to cause the developer to give serious consideration to build them.

COMMISSIONER WILLIAMSON:

- Stated that she doesn't believe that developers want them integrated, and they would pay almost any amount of money not to integrate them in their development, so she is not sure that it ever really works as an incentive, unless it is really overwhelming, and to indulge that should cost them some money.

12. DISCUSSION/POSSIBLE ACTION REGARDING FUTURE MEETING DATES AND FUTURE AGENDA ITEMS (continued)

AUDREE JUHLIN:

- Asked if she can tell Martina that she is on the agenda for the 6<sup>th</sup>.

CHAIRMAN MARTINEZ:

- Suggested having her come at 5:00 p.m.

7. DISCUSSION/POSSIBLE ACTION REGARDING HOUSING COMMISSION QUARTERLY REPORT TO CITY COUNCIL ON JANUARY 24, 2005

There was no discussion on this item.

13. ADJOURNMENT:

MOTION:

VICE-CHAIRMAN SMITH MOVED TO ADJOURN.

COMMISSIONER SURBER SECONDED THE MOTION.

Without objection, the meeting was adjourned at approximately 7:35 p.m.

Respectfully Submitted,

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Donna A. S. Puckett, *Recording Secretary*