

City of Santa Fe, New Mexico

memo

DATE: August 10, 2015

TO: Mayor Javier M. Gonzales
Members of the Governing Body

VIA: Kate Noble, Acting Director *KN*
Housing and Community Development Dept

FROM: Alexandra Ladd, Housing Special Projects Manager *KN for AL*
Housing and Community Development Dept

RE: Proposal for Alternate Compliance for SFHP – Pulte Homes, Las Soleras

ACTION REQUESTED

Consider the attached proposal for alternate compliance with the SFHP requirement submitted by James Siebert & Associates on behalf of Pulte Homes.

BACKGROUND

Pulte Homes of New Mexico, Inc. proposes to build a total of 300 market rate homes on a land parcel in Las Soleras. The project is subject to the Santa Fe Homes Program (SFHP) ordinance (SFCC Chapter 26-1) which requires that 20% (60 homes) are sold at affordable sales prices to income-qualified homebuyers. Five percent (5%) of the total units (15) are to be priced affordably for homebuyers earning from 50-60% AMI; 30 units (10%) priced for homebuyers earning from 65-80% AMI; and 15 units (5%) priced for homebuyers earning from 80-100% AMI.

One of the goals of the Santa Fe Homes Program (SFHP) is to *"foster economic integration by requiring that developers provide required SFHP units and manufactured home lots on the property proposed for development"* [(SFCC 26-1.33(A))]. However, the ordinance also allows for a developer to petition the City Council to comply with the affordability requirement through an alternate means of compliance, including: *"...off-site construction cash payment in lieu of constructing or creating the required SFHP units or manufactured home lots or dedication of land suitable for construction or creation of inclusionary units of equivalent or greater value than would be required for onsite construction"* [(SFCC 26-1.33(A))].

The alternate means of compliance may be considered if the proposal demonstrates that the project meets the definition of "extreme hardship" which the ordinance defines as: *"a condition occurring as a direct consequence of the SFHP Ordinance which: (a) deprives a*

all economically viable use of the subject property taken as a whole; or (b) would require the property owner to lose money on the development taken as a whole and the property owner can demonstrate to the governing body's satisfaction that said loss would be an unavoidable consequence of the SFHP requirement for construction of SFHP units; or (c) the property owner can demonstrate to the council's satisfaction that complying with the requirements of this chapter would constitute taking property in violation of the Constitution of the United States or New Mexico" (SFCC 26-1.5).

ITEM AND ISSUE:

On June 17, 2015, the Community Development Commission (chaired by Councilor Ron Trujillo) considered the proposal submitted by Pulte Homes for an alternate means of compliance with the Santa Fe Homes Program (SFHP). Rather than deliver all 60 affordable homes, Pulte Homes requested to satisfy the SFHP requirement by doing the following:

- Donating six (6) building lots to Habitat for Humanity for construction of homes priced affordably to homebuyers earning no more than 60% AMI. The equivalent value of this donation is calculated through the following: \$90,000 per lot X 6 = \$540,000.
- Donating a four (4)-acre parcel within Las Soleras that is suitable for future construction of a 60-72 unit LIHTC (Low Income Housing Tax Credit) project. The value of this parcel is estimated to be \$5.00 square foot X 174,240 (43,560 X 4 acres) = \$871,200.

The item was tabled for more discussion. On July 29, 2015, the CDC approved Pulte's request for alternate compliance on the basis that the intent of the SFHP ordinance is better served by the proposed alternate (to provide an opportunity for affordable rental housing, identified as one of Santa Fe's critical housing needs in the 2013 Housing Needs Analysis). The approval is based on the following conditions:

- The parcel for rental housing is increased by ½ acre for a total parcel size of 4.5 acres, with a present-day value at \$5.00/square foot which totals \$980,100 (43,560 X 4.5 acres);
- The developer will pay for the costs associated with preparing a Low Income Housing Tax Credit (LIHTC) application (includes: preliminary design, engineering and environmental assessments), not to exceed \$100,000;
- The value of the alternate compliance (land cost + application cost) equals 10% of the estimated value of the future rental housing project (estimated to be approximately \$14 million).

RECOMMENDATION

Staff recommends that the Governing Body consider the proposal for alternate compliance with the conditions identified by the Community Development Commission.

Attachments:

- (A) CDC Minutes (June 17, July 29)
- (B) CDC Packets with Pulte Proposal (June 17, July 29)

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CITY OF SANTA FE
COMMUNITY DEVELOPMENT COMMISSION
MEETING
June 17, 2015

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ROLL CALL	Quorum	1
APPROVAL OF AGENDA	Approved	1
APPROVAL OF MINUTES: May 20, 2015 CDC	Approved [as submitted]	2
PROPOSAL FOR ALTERNATE COMPLIANCE FOR PULTE AT LAS SOLERAS (SFHP) – JAMES SIEBERT & ASSOCIATES, INC.	Motion passed to table until June 26, 2015 when the Commission will reconvene	2-8
ITEMS FROM THE COMMISSION		8
ITEMS FROM THE FLOOR	None	9
ADJOURNMENT	Adjourned at 5:03 p.m.	9

MINUTES OF THE
CITY OF SANTA FE
COMMUNITY DEVELOPMENT COMMISSION MEETING
Santa Fe, New Mexico

June 17, 2015

A meeting of the City of Santa Fe Community Development Commission was called to order by Councilor Ron Trujillo, Chair on this date at 3:30 p.m. in the Market Station Offices, 500 Market Street, Suite 200, Roundhouse Conference Room, Santa Fe, New Mexico.

Members Present:

Councilor Ron Trujillo, Chair
Paul Goblet
Carla Lopez
John Padilla
Silas Peterson

Member(s) Absent:

Rusty Tambascio, Vice Chair, excused
Toby Bott-Lyons, excused

Staff Present:

Margaret Ambrosino, Senior Housing Planner
Alexandra Ladd, Housing Special Projects Manager

Others Present:

Kevin Patten, Pulte Homes of New Mexico, Inc.
Garrett Price, Pulte Homes of New Mexico, Inc.
James W. Siebert, James W. Siebert and Associates Inc.
Sharon Welsh, The Housing Trust
Jo Ann G. Valdez, Stenographer

APPROVAL OF AGENDA

**Commissioner Goblet moved to approve the agenda as published.
Commissioner Padilla seconded the motion. The motion passed unanimously by voice vote.**

APPROVAL OF MINUTES: May 20, 2015 CDC

Commissioner Goblet moved to approve the Minutes of the May 20, 2015 CDC Meeting. Commissioner Padilla seconded the motion. The motion passed unanimously by voice vote.

PROPOSAL FOR ALTERNATE COMPLIANCE FOR PULTE AT LAS SOLERAS (SFHP) – JAMES SIEBERT & ASSOCIATES, INC.

Ms. Ladd referred to the Memo that was included in the Commissioners' packets. A copy is hereby incorporated to these Minutes as Exhibit "A". Copies of the Proposal from James Siebert & Associates, Inc. and copies of the map of the area were included. {Please see Exhibit "A" for the specifics of this presentation.}

Background

One of the goals of the Santa Fe Homes Program (SFHP) is to *"foster economic integration by requiring that developers provide required SFHP units and manufactured home lots on the property proposed for development."* [SFCC 26-1.33(A)] However, the ordinance also allows for a developer to petition the City Council to comply with the affordability requirement through an alternate means of compliance, *"...off-site construction, cash payment in lieu of constructing or creating the required SFHP units or manufactured home lots or dedication of land suitable for construction or creation of inclusionary units of equivalent or greater value than would be required for onsite construction."* [SFCC 26-1.33(A)]

The alternate means of compliance may be considered if the proposal demonstrates that the project meets the definition of "extreme hardship" which the ordinance defines as: *"a condition occurring as a direct consequence of the SFHP Ordinance which:*

- (a) deprives a property owner of all economically viable use of the subject property taken as a whole; or*
- (b) would require the property owner to lose money on the development taken as a whole and the property owner can demonstrate to the governing body's satisfaction that said loss would be an unavoidable consequence of the SFHP requirement for construction of SFHP units; or*
- (c) the property owner can demonstrate to the Council's satisfaction that complying with the requirements of this chapter would constitute taking property in violation of the Constitution of the United States or New Mexico."* (SFCC 25-1.5)

Staff requested that the Commission provide a recommendation to the Governing Body regarding the proposal for alternate compliance submitted by James Siebert & Associates on behalf of Pulte Homes.

Item and Issue

Pulte homes of New Mexico, Inc. proposes to build a total of 300 market rate homes on a land parcel in Las Soleras. The project is subject to the Santa Fe Homes Program Ordinance (SFCC Chapter 26-1) which requires that 20% (60 homes) are sold at affordable sales prices to income-qualified homebuyers. Five percent (5%) of the total units (15) are to be priced affordably for homebuyers earning from 50-60% AMI. 30 units (10%) priced for homebuyers earning from 65-80% AMI; and 15 units (5%) priced for homebuyers earning from 80-100% AMI. A breakdown of the unit types and pricing were included in the proposal that was distributed in the Commissioners' packets.

Rather than delivering all 60 affordable homes, Pulte Homes requests to satisfy the SFHP requirement through the following:

- Donate six (6) building lots to Habitat for Humanity for construction of homes priced affordably to homebuyers earning no more than 60% AMI. The equivalent value of this donation is calculated through the following: \$90,000 per lot x 6 = \$540,000.
- Donate a four (4)-acre parcel within Las Soleras that is suitable for future construction of a 60-72 unit Low Income Housing Tax Credit project. The value of this parcel is estimated to be \$5.00 square foot x 174,240 (43,560 x 4 acres) = \$871,200.

Appendix D of the SFHP Administrative Procedures provides a calculation for estimating a fee-in-lieu that is based on MLS sales data to the specific area of Santa Fe. Projects that are proposed in neighborhoods with higher land values pay a higher fee-in-lieu per unit than in more affordable areas of town. For the southwest sector of Santa Fe, this fee is estimated to be approximately \$42,780 per unit for a total fee of: \$42,780 x 60 = \$2,566,800. (Note: this fee is currently estimated based on 2014 income and real estate sales data and would be adjusted to present day values before being assessed.)

The difference between the fee-in-lieu for 60 units (\$2,566,800) and the estimated value of the donated land (\$1,411,200) is proposed to be compensated by the future subsidy leveraged through the Low Income Housing Tax Credit development on the donated parcel.

Pulte Homes of New Mexico, Inc. would like the CDC to consider the proposal for alternate compliance on the basis that the applicant has stated a general case for the extreme hardship that will be unavoidable if the affordable homes are built. If CDC recommends that the alternate compliance (eg. donated lots are ready-to-build and all land use entitlements for the proposed uses are secured, etc.) to be forwarded to the Governing Body for consideration.

Mr. Siebert introduced Garrett Price, Vice President of Pulte Homes of New Mexico, Inc. and Kevin Patten, Land Manager.

He noted that Pulte Homes bought out Centex in 2009.

Mr. Siebert explained the above request noting that the project will be developed in four phases. Of the 300 dwellings 160 units are planned as an active retirement community targeting households designed for buyers 55 years of age and older. This housing product is referred to as "Age Targeted". There are 140 units of "Family Housing". This housing type is directed to young professionals and families desiring to move up to a larger and generally more expensive home.

Mr. Siebert mentioned that Pulte Homes did a market study and determined that there is a very significant demand here in Santa Fe for people that want to move into a smaller home due to maintenance costs, etc. He noted that the "Age Targeted" area is in a gated community.

Mr. Siebert said the first Phase will consist of 77 lots and would be a portion of the "Traditional" area and the beginning for the "Age-Targeted" model. There are six units that Pulte Homes is proposing to provide to Habitat. In addition, Pulte Homes has been working with Las Soleras to come up with a location for the 4-acre site that is suitable for future construction of a 60-72 unit Low Income Housing Tax Credit project. This land would be donated to the City and the intent is that the City at some point would turn over the land to the Housing Trust and it would be operated by them.

This proposed method of alternative compliance will increase the total number of affordable units provided by six affordable units at 15 dwellings per acre and 12 affordable units at 18 dwellings per acre, with the majority of those units targeted towards households with lower incomes and fewer market housing options than those targeted by homeownership programs. Land donations are strategies explicitly listed as acceptable means of alternative compliance in Section 26-1.33 of the HOMES Program Ordinance.

Mr. Siebert said they realize that they are thinking "outside of the box" so he would like to hand out some of the excerpts of the Housing Needs Assessment of 2013. This alternative compliance strategy is specifically referenced in policy considerations from the Housing Needs Assessment which found that city demographics are shifting and *"households may seek rental rather than homeownership options to reflect smaller households, changing financial circumstances, retirement objectives, live/work needs, etc."*

Mr. Siebert said the Housing Needs Assessment Plan of 2013 determines that the biggest mismatch in market supply and demand is for very low income renters. Santa Fe's median rent increased by 25% between 2000 and 2010, while renters' incomes only increased 4%. Other than public housing and housing choice vouchers, managed by the local housing authorities, and units or vouchers for renters with special needs, subsidized rental options are extremely limited.

Mr. Siebert highlighted the policy considerations as follows:

- Develop comprehensive support services for renters including homeless prevention, rental vouchers, deposit assistance, and referral resources for co-

- occurring situations related to poverty, disability and special needs.
- The city needs a revenue stream for rental support services. One way to do this is maybe to develop alternative forms of compliance to the current unit requirement in the Santa Fe Homes Program, such as an in-lieu of fee, or private/nonprofit partnerships.
 - The city has an opportunity to facilitate partnerships between the nonprofit, for profit and governmental sectors to generate affordable housing. Current efforts that may be supported by the city include the development of multi-income Low Income Housing Tax Credit projects, proposed rehabilitation of public housing units and the redevelopment of commercial corridors to include affordable rental housing.

Mr. Siebert concluded his presentation noting that Pulte Homes of New Mexico, Inc. believes that what they are proposing targets the needs of the community and the needs that were identified in the Housing Needs Assessment Plan of 2013. He asked if there were any questions.

Garrett Price added that he is with Pulte Homes and had been with Centex for over 10 years prior to the acquisition. He explained that they have a lot of experience and support the City's efforts for affordable housing.

Discussion/Questions/Comments:

Commissioner Padilla said of the 77 lots projected, what are the numbers for the "Age-Targeted" and the "Traditional" models.

Mr. Price said there are 57 lots for the "Traditional" model and 20 for the "Age-Targeted" models.

Commissioner Padilla asked what the typical size of a lot is.

Mr. Price said the lots are typically 55 feet by 120 feet. A 45-foot home could be built on the lot.

Commissioner Peterson asked where the estimate of \$90,000 come in for the value of the land.

Mr. Price said the price of the land includes the cost of development. This is the cost for Pulte to buy, develop and entitle the land. He said unfortunately the sale prices have stayed stagnant but the labor costs have gone up. They also put a little more design and money into the landscaping and trail works.

Commissioner Lopez asked if this is Phase 1. Mr. Price said yes, that is correct.

Commissioner Goblet said he could not imagine a better partner (Habitat) to assist Pulte Homes of New Mexico Inc. to address the low end of homeownership. However, he

has a hard time with the mathematics of Pulte Homes. He felt that there was a huge disconnect between the proposed valuation of the \$90,000 a lot and the price/value of other lots. He noted that the average cost of land used to be approximately \$25,000 to \$30,000.

Mr. Price said they are willing to show the full disclosure. He explained that this is a long term investment for Pulte Homes to be a part of the community and it took them some time to convince corporate that Santa Fe is worth the financial investment.

Commissioner Padilla asked what Pulte Homes' timing is for Phase 1 (the 77 lots).

Mr. Siebert said they have been to the Planning Commission once and they have to return to them again and that is coming up tomorrow night. They still need to go before City Council for the zoning issues.

Mr. Price explained that this portion is currently zoned for high density and they are shifting densities within, and this is the reason they have to get it rezoned.

Mr. Siebert said they are looking at late summer to begin construction activity on the project.

Mr. Price said they anticipate that they will go before City Council at their first meeting in July, and they will make the same presentation on this proposal to them at that time.

Commissioner Padilla asked when they expect for Phase 1 to be built out.

Mr. Patten said they hope to have models open by this time next year.

Ms. Ladd asked what they think the timing would be for getting the parcel of land; and for getting apartments on the ground and ready to lease/rent. She said she knows the loan process and the tax credits has a very specific timeline.

Mr. Price said as soon as they know that they have received the entitlements and approval from City Council, they will acquire the piece of land. He said they have an agreement with the developer to do so.

Ms. Welsh said the tax credit program is the best program to make the units affordable but it can cost upwards to \$60,000.00 to put together the tax credit application. She said with regards to the tax credit schedule, it can take some time. She said sometime in October or November, the Mortgage Finance Authority announces what the priorities are for the year.

She said the City would have the land as collateral security, and it is relatively higher-valued land because it is selling for higher density and is close to commercial facilities. She said Habitat would probably put in an application for the 2016 Tax Credit year if this is approved by City Council and they have all the entitlements in place.

Ms. Ladd asked them to clarify whether or not Pulte Homes needs a General Plan Amendment.

Mr. Price said it does not need an amendment to the General Plan.

Ms. Welsh said the second part of the question was how soon the apartments would be on the ground and ready to lease. She said unfortunately they will not hear about the tax credit application until May of next year.

Councilor Ron Trujillo asked if there was anything that can happen at the Planning Commission tomorrow that can put a wrench in this.

Mr. Price said they can still proceed with City Council approval but it makes it a little harder for them.

Mr. Siebert said they have worked with everybody to address concerns and have made some other commitments to the Plan that should make it much more approvable.

Commissioner Peterson referred to the paragraph that states: *“The difference between the fee-in-lieu for 60 units (\$2,566,800) and the estimated value of the donated land (\$1,411,200) is proposed to be compensated by the future subsidy leveraged through a LIHTC development on the donated parcel.* He asked what the future subsidy leverage is.

Ms. Ladd said she wrote this and asked Ms. Welsh to explain how the tax credit works.

Ms. Welsh explained that the tax credits provide about 80% (or less) of the financing of the cash for the project. The remainder is financed and usually the city makes some grants for the project.

Ms. Welsh said this donated land is a luxury for them to submit an application for tax credits but it has to be donated from the City - to a project - in order to qualify for the tax credits.

**Councilor Ron Trujillo, Chair, had to leave at 4:35 p.m. Commissioner Padilla Co-Chaired the meeting from here forward.*

Commissioner Peterson asked if there is any concern from the Commission about the fact that the proposal removes all but six units from their project. Only 2% of the total units of this project will be affordable. He said this is something to be mindful of and how important this is. There is also the concern of selling and mixing higher-end homes with affordable housing. There is a lack of inclusionary neighborhood because only 2% of the units will be owned or lived in by a different income group.

Commissioner Peterson would like more time to think about this. He suggested that

ITEMS FROM THE FLOOR

There were no items from the floor.

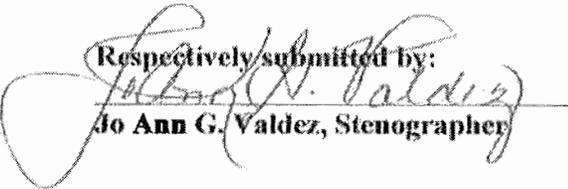
ADJOURNMENT

Its business being completed, Commissioner Peterson moved to adjourn the meeting, second by Commissioner Padilla, the meeting adjourned at 5:03 p.m.

Approved by:

Councilor Ron Trujillo, Chair

Respectively submitted by:



Jo Ann G. Valdez, Stenographer

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CITY OF SANTA FE
COMMUNITY DEVELOPMENT COMMISSION
MEETING
July 29, 2015

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ROLL CALL	Quorum	1
APPROVAL OF AGENDA	Approved	1
APPROVAL OF MINUTES: June 17, 2015 CDC	Approved [as submitted]	2
PROPOSAL FOR ALTERNATE COMPLIANCE FOR PULTE AT LAS SOLERAS (SFHP) – JAMES SIEBERT & ASSOCIATES, INC.	Approved with conditions	2-9
ITEMS FROM THE COMMISSION	None	9
ITEMS FROM THE FLOOR		9
ADJOURNMENT	Adjourned at 5:15 p.m.	9-10

MINUTES OF THE
CITY OF SANTA FE
COMMUNITY DEVELOPMENT COMMISSION MEETING
Santa Fe, New Mexico

July 29, 2015

A meeting of the City of Santa Fe Community Development Commission was called to order by Rusty Tambascio, Vice-Chair on this date at 3:36 p.m. in the Market Station Offices, 500 Market Street, Suite 200, Roundhouse Conference Room, Santa Fe, New Mexico.

Members Present:

Rusty Tambascio, Vice-Chair
Paul Goblet
Carla Lopez
John Padilla
Silas Peterson

Member(s) Absent:

Councilor Ron Trujillo, Chair, excused
Toby Bott-Lyons, excused

Staff Present:

Margaret Ambrosino, Senior Housing Planner
Alexandra Ladd, Housing Special Projects Manager

Others Present:

Edward Archuleta, St. Elizabeth's Shelter and NM Coalition to End Homelessness
Garrett Price, Pulte Homes of New Mexico, Inc.
Victoria Dalton, James W. Siebert & Associates Inc.
Sharon Welsh, The Housing Trust
Jo Ann G. Valdez, Stenographer

APPROVAL OF AGENDA

**Commissioner Peterson moved to approve the agenda as published.
Commissioner Padilla seconded the motion. The motion passed unanimously by voice vote.**

DRAFT: SUBJECT TO APPROVAL

APPROVAL OF MINUTES: June 17, 2015 CDC

Commissioner Padilla moved to approve the Minutes of the June 17, 2015 CDC Meeting. Commissioner Lopez seconded the motion. The motion passed unanimously by voice vote.

PROPOSAL FOR ALTERNATE COMPLIANCE FOR PULTE AT LAS SOLERAS (SFHP) – JAMES SIEBERT & ASSOCIATES, INC.

Commissioner Tambascio abstained from discussion and voting on this agenda item having declared a possible conflict of interest.

Ms. Ladd referred to the Memo that was included in the Commissioners' packets. A copy is hereby incorporated to these Minutes as Exhibit "A".

Ms. Ambrosino noted that a letter of support from the New Mexico Coalition to End Homelessness came in after the Commissioners' packets were distributed. She distributed copies to the Commissioners today. A copy is hereby incorporated to these Minutes as Exhibit "B".

Background

One of the goals of the Santa Fe Homes Program (SFHP) is to *"foster economic integration by requiring that developers provide required SFHP units and manufactured home lots on the property proposed for development."* [(SFCC 26-1.33(A))] However, the ordinance also allows for a developer to petition the City Council to comply with the affordability requirement through an alternate means of compliance, *"...off-site construction, cash payment in lieu of constructing or creating the required SFHP units or manufactured home lots or dedication of land suitable for construction or creation of inclusionary units of equivalent or greater value than would be required for onsite construction."* [SFCC 26-1.33(A)]

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- (c) the property owner can demonstrate to the Council's satisfaction that complying with the requirements of this chapter would constitute taking property in violation of the Constitution of the United States or New Mexico."* (SFCC 25-1.5)

Staff has requested that the Commission provide a recommendation to the Governing Body regarding the proposal for alternate compliance submitted by James Siebert & Associates on behalf of Pulte Homes.

Item and Issue

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Pulte Homes of New Mexico, Inc. would like the CDC to consider the proposal for alternate compliance on the basis that the applicant has stated a general case for the extreme hardship that will be unavoidable if the affordable homes are built. If CDC recommends that the alternate compliance (eg. donated lots are ready-to-build and all land use entitlements for the proposed uses are secured, etc.) to be forwarded to the Governing Body for consideration.

At the June 17, 2015 CDC meeting, a motion was made and passed to table this for continuance of discussion on this action item and reconvene before the City Council meeting. The meeting was originally scheduled for June 26, 2015; however, the Commission rescheduled the meeting to discuss this for today (July 29, 2015).

Garrett Price, Vice President of Pulte Homes of New Mexico, Inc. and Victoria Dalton of James Siebert & Associates were present today to answer any questions that the Commission may have.

Vice-Chair Tambascio asked the members from the public to introduce themselves.

Sharon Welsh said she is with The Housing Trust and their Board of Directors asked her to attend to support for the request/proposal for alternate compliance.

Edward Archuleta said he is a Case Manager at St. Elizabeth's Shelter for the homeless and he is also a member of the NM Coalition to End Homelessness Task Force. He referred to the letter of support from the Director of the Coalition, Hank Hughes.

Discussion/Questions/Comments:

Commissioner Goblet asked what came out of the Planning Commission.

Vice-Chair Tambascio asked if the question of the Alternate Means of Compliance brought in front of the Planning Commission.

Mr. Price said they did not discuss this because that is not the purview of the Planning Commission. He said they did walk out of the meeting at 1:00 in the morning with unanimous approval. He noted that there was a lot of quality support but there was a lot of discussion about the park compliance.

Commissioner Padilla said there was significant discussion about the park. He said there were a total of seven items on the agenda to include a General Plan Amendment, annexation, rezoning and electrical transmission lines. He explained that the Alternate Means of Compliance is not purview of the Planning Commission – it is specifically purview of the CDC to make a recommendation to the Governing Body for their final review and approval.

Commissioner Padilla said there was also lengthy discussion about the greenbelt space/the open park space, the phasing of the project and what the projected build-out could possibly be. In the end, the applicant walked out with unanimous approval on all seven items that were submitted before the Planning Commission.

Mr. Price said they also spent a descent amount of time talking about transportation – the timing of Beckner Road construction and access points to Nava Ade. He mentioned that the constituents of the neighborhood were there in support of the project but they were

very concerned about the timing and the connections and traffic patterns.

Commissioner Padilla said there were a number of people from the public presenting and speaking in reference to the project. The concern from the Nava Ade residents is that this could be their immediate relief valve from the congestion and the Planning Commission members tried to be very clear in their deliberations that this approval does not mean that this will relieve their congestion tomorrow.

Commissioner Padilla asked Mr. Price to show the CDC Phase 1 of the Age-Targeted community on the plat. He said there was a lot of discussion specifically about the Age-Targeted and lengthy conversations about a gated community. He noted that he had a question on the need for a gated community and he thinks that Pulte explained this pretty well in that the research, and information that they are seeing from their targeted market was for the desire for that – for security and being able to access that.

Commissioner Goblet asked if the blank spaces on the plat are going to be more commercial or residential.

Mr. Price said three-quarters of the project is planned for commercial and they are only one element of the residential with approximately 295 units. Ross' Peak is another 200 units.

Commissioner Goblet asked if this is something that has already started.

Commissioner Padilla said it came to the Planning Commission for final approval earlier this year. He thinks there are some changes going on with the density of the project.

Commissioner Goblet asked if they will be coming before the CDC at some point in time.

Ms. Dalton said no, they have an affordable housing agreement with the City.

Commissioner Padilla said there could be a possibility that they (Ross' Peak) could come before the CDC in the future.

Vice-Chair Tambascio asked Mr. Price what their commitment for affordable housing would be – the number of units without this in-lieu-of request.

Mr. Price said it would be 60 units (20% of the overall density).

Commissioner Peterson asked who the developer was for Ross' Peak.

Mr. Price said the primary developer is John Mahoney.

Commissioner Peterson asked if they have found a way of developing approximately 200 homes and meeting the affordable housing requirement.

Mr. Price said Pulte/Centex has been building in Santa Fe for over 10 years and have since provided over 600 affordable housing units. He noted that Ross' Peak have not contracted with a builder yet. They are only a developer.

Vice-Chair Tambascio asked Ms. Welsh what she is seeing since the downturn of the housing market.

Ms. Welsh said it is not as robust as it was before 2007. She said based on a Gallup poll that was done recently, 41% of non-owners do not want to purchase a home, but on the other side 59% do.

Ms. Welsh explained that the HOMES Program is oriented towards first-time homebuyers, first responders, a younger clientele and she does not believe the higher homeowner association fees and a gated-community feature would appeal to that clientele. She noted that homeowner association fees can escalate a mortgage payment by \$200.00. She mentioned that some of the affordable rental units that are available in Santa Fe are three-story and this is not a preference for people with small children. They also do not want to take their groceries upstairs. She said there is a huge need for affordable housing units in Santa Fe and this is why The Housing Trust Board is supporting this proposal.

Vice-Chair Tambascio said the Commission has the letter of support from the NM Coalition to End Homelessness but she would like to hear from Mr. Archuleta why they are supporting this request.

Mr. Archuleta said as Ms. Welsh indicated, there is a dire need for affordable rental housing in Santa Fe. He said as a Case Manager for St. Elizabeth's Shelter, part of his job is getting people into homes or apartments and it is almost impossible to find rental housing that they can afford. This is why they are supporting this.

Vice-Chair Tambascio asked if the Commissioners had any more questions.

Commissioner Lopez said she came away from the last meeting thinking that the chances of these rental units being built are pretty iffy.

In response, Ms. Welsh said she is sorry that she left that impression. She said the good news is that they will be built as long as the City owns it and it is only a matter of time before the priorities statewide come here. She said it could be this year if we are ready to go this year and the fact that the City would be donating the land enhances its chances because it is highly competitive (to receive the Low-Income Housing Tax Credit funding) and only five communities will get it statewide.

Commissioner Lopez said there really isn't a guarantee and there are probably at least five communities who will apply for the tax credit project funding.

Commissioner Padilla asked Mr. Price to point out (on the plat) where the 4-acre

site is that is suitable for future construction of the 60-70 unit Low Income Housing Tax Credit project.

Mr. Price noted that the drawings were included this in the packet at the last CDC meeting.

Commissioner Padilla asked if there is proposed bus service that will go up Roadrunner Road, or is it only going to be down on Beckner Road.

Ms. Dalton said as far as she knows, there is not a proposed bus service route for Roadrunner Road.

Commissioner Padilla said the conversation that the Commission probably wants to have is the possibility of a larger parcel of acreage for the units that Pulte is proposing to provide to Habitat.

Commissioner Peterson said the proposal for the total fee-in-lieu of the compliance would be \$2.5 million and the difference between the fee and the donated land is about \$1 million and the proposal indicates that the difference would be made up by the value created by the Low Income Housing Tax Credit.

Mr. Price said this includes a multiplier of \$14 million in some cases, which is pretty significant.

Commissioner Peterson said it seems to him that the value is actually created by the developer who is going to build the property and that this alternate compliance would basically be allowing what it would cost to comply by \$1 million.

Mr. Price said in doing the math and them being a public corporation, they questioned the value or dollar amount of compliance ultimately. He said in looking at the Housing Needs Assessment and having been the largest private provider of affordable units in this market in the last decade, they are not selling as much of the single-family detached units. This has become a challenge for them in terms of a business model.

Mr. Price said in seeing the need for rental units, it feels like this is a good beta test. This would provide an opportunity for affordable rental housing, which was identified as one of Santa Fe's critical housing needs in the 2013 Housing Needs Analysis/Assessment.

Commissioner Goblet asked Mr. Price how much it costs them to subsidize a house.

Mr. Price said \$38,000.00. He said when the Ordinance was put in place years ago, the median price in household costs was \$556,000.00 and now at the same square footage, the median price is about \$300,000.00.

Commissioner Peterson said he does not dispute that the need is for rental properties but as a Commissioner, he is looking at this fee-in-lieu of compliance is

\$42,000.00 a unit. So, to comply with the Ordinance you would have to build 60 units at \$42,000.00, which totals \$2.5 million. He questioned whether this adds up to \$2.5 million of value for the City.

Mr. Ladd explained that rental units and home ownership have different values for the City.

Commissioner Peterson said they need to figure out how to create a \$2.5 million worth of value and it seems to him that we are coming out short with the way this proposal is written.

Commissioner Padilla said the proposal is about \$1 million short.

Mr. Price said this is why they are seeking the Alternate Means of Compliance and why they are here.

Commissioner Goblet asked if there is a possibility that this would not get approved from the standpoint of zoning – the affordable housing.

Ms. Welsh said it is already zoned:

Commissioner Padilla added that this is why they are looking at that area, that tract of land. The entitlements are there.

Commissioner Goblet said then there is a value to that. He said you could see where there would be a trade-off – if the tract of land was bigger (maybe ½ an acre larger) and you could put more units in.

Vice-Chair Tambascio asked Mr. Price if they could switch the parcel for rental housing to 4.5 acres.

Ms. Ladd said this is a negotiation in some ways and maybe the Commission could request that Pulte build six or seven additional rental housing units.

Mr. Price said there could be a challenge in providing another seven units.

Commissioner Padilla said at the end of the day, this Commission should come up with a recommendation to the Governing Body.

Mr. Price asked if he could step out to make a phone call to Pulte Corporation to discuss the proposal of the 4.5 acres and he was granted permission.

Mr. Price came back into the meeting and said Pulte Corporation is in agreement with switching the 4 acres to 4.5 acres and to pay for the costs associated with preparing a Low Income Housing Tax Credit application, not to exceed \$100,000.00.

After discussion on the recommendation that the Commission could make, the following motion was made:

Commissioner Goblet moved to recommend approval of Pulte's proposal for Alternate Compliance with the following amendments:

- 1) The parcel for rental housing is increased by ½ acre for a total parcel size of 4.5 acres, with a present-day value at \$5.00/square foot, which totals \$980,100 (\$43,560 x 4.5 acres);
- 2) The developer will pay for the costs associated with preparing a Low Income Housing Tax Credit application (includes: preliminary design, engineering and environmental assessments), not to exceed \$100,000.00;
- 3) The value of the alternate compliance (land cost + application cost) equals 10% of the estimated value of the future rental housing project (estimated to be approximately \$14 million).

Commissioner Lopez seconded the motion. The motion passed with Commissioner Peterson voting in opposition.

As noted previously, Vice-Chair Tambascio abstained from voting having declared a possible conflict of interest.

Commissioner Goblet asked Commissioner Peterson why he is in opposition.

Commissioner Peterson said he feels like the City will pay \$1 million for ½ an acre. He felt that the dollar amounts do not work for the value that the City will be getting.

ITEMS FROM THE COMMISSION

There were no items from the Commission.

ITEMS FROM THE FLOOR

Ms. Ambrosino said the next meeting is September 16, 2015 and this is when the Commission will be asked to review and possibly approve the CAPER. She asked if the Commissioners will be available and only three Commissioners were available; therefore there will not be a quorum. They will check with Commissioner Bott-Lyons and Councilor Trujillo to see if they are available for September 16th.

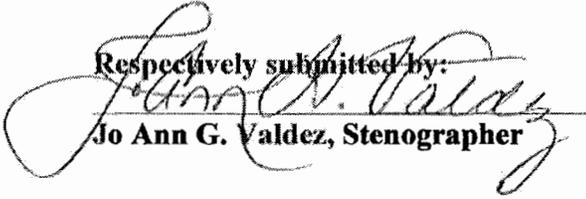
ADJOURNMENT

Its business being completed, Commissioner Peterson moved to adjourn the meeting, second by Commissioner Padilla, the meeting adjourned at 5:15 p.m.

Approved by:

Rusty Tambascio, Vice Chair

Respectively submitted by:



Jo Ann G. Valdez, Stenographer



Agenda

DATE 6/10/15 TIME 11:14am
SERVED BY Margaret Ambrosino
RECEIVED BY Alaina Hartung

COMMUNITY DEVELOPMENT COMMISSION MEETING

Wednesday, June 17, 2015
3:30-5:00 p.m.
500 Market Street, Suite 200
Engine Conference Room

1. Call to Order
2. Roll Call
3. Approval of Agenda
4. Approval of Minutes: May 20, 2015 CDC
5. Proposal for Alternate Compliance for Pulte at Las Soleras (SFHP) – James Siebert & Associates (Alexandra Ladd).
6. Items from the Commission
7. Items from the Floor
8. Adjournment

An interpreter for the hearing impaired is available through the City Clerk's office upon five days notice. Please contact 955-6521 for scheduling.

INDEX OF
CITY OF SANTA FE
COMMUNITY DEVELOPMENT COMMISSION
MEETING
 May 20, 2015

<u>ITEM</u>	<u>ACTION</u>	<u>PAGE (S)</u>
CALL TO ORDER		1
ROLL CALL	Quorum	1
APPROVAL OF AGENDA	Approved [as amended]	1
APPROVAL OF EXTENDING THE TIME OF PERFORMANCE AND THE COMPENSATION AMOUNT FOR THE LIFE LINK CONTRACT TO PROVIDE AHTF-FUNDED RENTAL ASSISTANCE: EXPANSION WILL BE FUNDED BY OFFICE OF AFFORDABLE HOUSING'S GENERAL FUND BUDGET	Approved	2
PROPOSAL FOR ALTERNATE COMPLIANCE FOR PULTE AT LAS SOLERAS (SFHP) – JAMES SIEBERT & ASSOCIATES, INC.	Withdrawn	2
APPROVAL FOR STAFF RECOMMENDATION ON REPROGRAMMING CDBG FUNDS TO BE CARRIED FORWARD TO FY2015	Approved	2-3
APPROVAL OF MINUTES: April 15, 2015 CDC	Approved [as amended]	4
ITEMS FROM THE COMMISSION	Discussion	4-5
ITEMS FROM THE FLOOR	None	5
ADJOURNMENT	Adjourned at 3:37 p.m.	5

Community Development Commission
 Meeting: May 20, 2015

MINUTES OF THE
CITY OF SANTA FE
COMMUNITY DEVELOPMENT COMMISSION MEETING
Santa Fe, New Mexico

May 20, 2015

A meeting of the City of Santa Fe Community Development Commission was called to order by Rusty Tambascio, Vice Chair on this date at 2:30 p.m. in the Market Station Offices, 500 Market Street, Suite 200, Roundhouse Conference Room, Santa Fe, New Mexico.

Members Present:

Rusty Tambascio, Vice Chair
Paul Goblet
John Padilla
Silas Peterson

Member(s) Absent:

Councilor Ron Trujillo, Chair, excused
Carla Lopez, excused
Toby Bott-Lyons, excused

Staff Present:

Margaret Ambrosino, Senior Housing Planner
Alexandra Ladd, Housing Special Projects Manager

APPROVAL OF AGENDA

The agenda was amended: Item 5: *Proposal for Alternate Compliance for Pulte at Las Soleras* was withdrawn from the agenda.

**Commissioner Goblet moved to approve the agenda as amended.
Commissioner Padilla seconded the motion. The motion passed unanimously by voice vote.**

**APPROVAL OF EXTENDING THE TIME OF PERFORMANCE AND THE
COMPENSATION AMOUNT FOR THE LIFE LINK CONTRACT TO PROVIDE**

Community Development Commission
Meeting: May 20, 2015

Page 1

AHTF-FUNDED RENTAL ASSISTANCE: EXPANSION WILL BE FUNDED BY OFFICE OF AFFORDABLE HOUSING'S GENERAL FUND BUDGET

Ms. Ladd referred to the Memo that was included in the Commissioners' Packets. A copy is hereby incorporated to these Minutes as Exhibit "A".

As part of the 2014-2015 funding cycle for the Affordable Housing Trust Fund, the CDC granted \$150,000 to the Life Link to provide rental assistance to low-income renters who are precariously housed. From August 2014 through March 2015, a total of \$86,954 was provided in the form of paying security deposits, rents, utilities, late fees, utility arrears, application fees, rental arrears, and utility deposits.

Ms. Ladd noted that one of the items in the Scope of Work was changed after a conversation with Carol Luna-Anderson of Life Link. They will raise the area median income restriction to 60%. It was originally at 40%. The average Area Median Income of the households served has been approximately 13%.

Staff requests approval of the extension of the Life Link Rental Assistance Project to extend the term of performance through June 2016 and to raise the income restriction for eligibility to 60% AMI (with renters at lower incomes receiving priority). Additionally, funding from the City's General Fund will be applied to the extension in the amount of \$60,000. This expansion is not subject to CDC approval.

Commissioner Tambascio asked if there were any questions. Seeing none, the following motion was made:

Commissioner Peterson moved to approve the request to extend the term of performance through June 2016 and to raise the income restriction for eligibility to 60% AMI. Commissioner Goblet seconded the motion. The motion passed unanimously by voice vote.

PROPOSAL FOR ALTERNATE COMPLIANCE FOR PULTE AT LAS SOLERAS (SFHP) – JAMES SIEBERT & ASSOCIATES, INC.

This agenda item has been withdrawn by James Siebert & Associates, Inc.

APPROVAL FOR STAFF RECOMMENDATION ON REPROGRAMMING CDBG FUNDS TO BE CARRIED FORWARD TO FY2015

The CDBG funding priorities, as resulted from the discussion at the November 12, 2014 CDC Meeting, highlighted many priorities of what is currently being funded with CDBG funds along with what should be funded more of, included but not limited to low income rentals, transitional housing, etc. At the April 15, 2015 CDC meeting, community input was shared that reiterated the need for more rental housing options to lower income residents.

It is anticipated that there will be approximately \$41,000 of unspent CDBG funds that will be available to re-program starting in July and August 2015 as they become available. These funds are comprised of unspent down payment assistance and home improvement contracts that have had extensions to their contracts, as well as a smaller portion of CDBG money that is currently un-programmed.

Staff's recommendation is to prioritize the unspent CDBG funds and re-program them to address the needs of very-low income renters who are at risk of becoming homeless, via project such as emergency rental assistance, transitional housing or "rapid rehousing".

Discussion:

Commissioner Tambascio said she would like the Commission to consider the youth shelters, or any organization that deals with homeless teens or handles this segment of the population.

Commissioner Padilla asked how many youth shelters exist.

Commissioner Tambascio said there are two that she knows of, and she is aware that there is a waiting list of homeless teens for these youth shelters. She feels it is critical to have a roof over your head and this could mean a difference between sleeping in a car and having a roof over your head for youth.

Ms. Ladd asked the Commissioners if they would like to put the \$40,000 in reserve until a project or emergent need comes up, or does the Commission want to be more proactive and ask staff to find a project to fund.

Commissioner Goblet said the interesting thing is that in this day and age, nobody has reserves. He said these are the conversations that this Commission needs to have. He noted that Simon Brackley of the Chamber of Commerce has indicated that the City needs rental properties because we will never be able to keep young people here and attract businesses.

Commissioner Goblet said we should have the ability to respond to a need because that is when there is a crisis.

Commissioner Tambascio mentioned that the City has a deadline to expend the CDBG funds in a certain amount of time; therefore they really cannot have a reserve fund.

Ms. Ambrosino said the City's obligation to HUD as an entitlement grantee of these funds is that the City tries to spend these funds within a fiscal year.

Commissioner Tambascio said the Commission could ask staff to solicit projects to

see what is out there. She feels that emergency rental assistance programs should be covering the youth also because people do not think about homeless teens.

Ms. Ladd said there could be a combination of priorities that could be addressed.

Commissioner Peterson mentioned that Adelante served over 1000 youth last year.

Ms. Ladd said Adelante only makes referrals for their clients but does not provide housing services.

Ms. Ladd said this priority could also be added into the extension of the Life Link contract.

Commissioner Padilla moved to recommend approval of staff's recommendation to prioritize CDBG funds to be reprogrammed to address the needs of very-low income renters who are at risk of becoming homeless, via project such as emergency rental assistance, transitional housing or rapid rehousing. Commissioner Goblet seconded the motion. The motion passed unanimously by voice vote.

APPROVAL OF MINUTES: April 15, 2015 CDC

Commissioner Goblet offered the following change to the Minutes of the April 15, 2015 meeting:

Page 3, 6th paragraph from the bottom was changed to read: *"Mr. Sebesta said yes, if he does the work that the Engineer recommends, however, the cost to do this is over \$30,000.00 per lot."*

Commissioner Goblet moved to approve the Minutes of the April 15, 2015 meeting as amended. Commissioner Padilla seconded the motion. The motion passed unanimously by voice vote.

ITEMS FROM THE COMMISSION

The Commission discussed the successes of past CDBG funding projects, such as Stagecoach and Old Las Vegas Place.

Commissioner Goblet said as he walked out of this meeting last month he thought we should put \$200,000 of equity into organizations that would have to perform in certain areas. This would show as income on their balance sheet and ultimately as equity, or another word that can be used.

Commissioner Tambascio said in the past - and when the City got the best bang for their money-is when the City assisted organizations with public infrastructure costs. This is one of the highest costs for developers.

Commissioner Goblet said with the finite amount of money that is available, the City needs to think strategically versus what has usually been done and business as usual. The City needs to think about funding priorities and how they can leverage the funding.

Ms. Ladd said this can be discussed at the November CDC meeting and this group can come up with a **funding** priority for the upcoming year.

Commissioner Padilla said the City could revisit the grant advertisement and do it early on and this could welcome developers outside of Santa Fe to come into Santa Fe.

Commissioner Goblet said he would be a big supporter of finding a way to maximize units and not being reactive to funding requests. Possibly, the City can consider projects that address homelessness and create enough units that are economically viable. He would also like staff to review how the City/Commission can increase or create capacity. He explained that some organizations/entities automatically put CDBG funding in their annual budgets.

Commissioner Peterson said there are people who cannot live here because the rental market is tapped out. He would like to see some way for this body to focus on the affordable market and this is why he is interested in projects that have set aside affordable units.

Commissioner Tambascio suggested that the funding priorities be discussed further at the November CDC meetings every year.

ITEMS FROM THE FLOOR

There were no items from the floor.

ADJOURNMENT

Its business being completed, Commissioner Peterson moved to adjourn the meeting, second by Commissioner Padilla, the meeting adjourned at 3:37 p.m.

Approved by:

Rusty Tambascio, Vice Chair

Respectively submitted by:

Jo Ann G. Valdez, Stenographer

City of Santa Fe, New Mexico

memo

Date: June 9, 2015

To: Members of the Community Development Commission

Via: Kate Noble, Interim Director *KN*
Housing and Community Development Department

From: Alexandra Ladd, Special Projects Manager *all*
Housing and Community Development Department

Re: Request for Alternate Compliance for Pulte at Los Soleras

ACTION REQUESTED

Provide recommendation to the Governing Body regarding the attached proposal for alternate compliance submitted by James Siebert & Associates on behalf of Pulte Homes.

BACKGROUND

One of the goals of the Santa Fe Homes Program (SFHP) is to "foster economic integration by requiring that developers provide required SFHP units and manufactured home lots on the property proposed for development." [(SFCC 26-1.33(A)] However, the ordinance also allows for a developer to petition the City Council to comply with the affordability requirement through an alternate means of compliance, "...off-site construction, cash payment in lieu of constructing or creating the required SFHP units or manufactured home lots or dedication of land suitable for construction or creation of inclusionary units of equivalent or greater value than would be required for onsite construction." [(SFCC 26-1.33(A)]

The alternate means of compliance may be considered if the proposal demonstrates that the project meets the definition of "extreme hardship" which the ordinance defines as: "a condition occurring as a direct consequence of the SFHP Ordinance which: (a) deprives a property owner of all economically viable use of the subject property taken as a whole; or (b) would require the property owner to lose money on the development taken as a whole and the property owner can demonstrate to the governing body's satisfaction that said loss would be an unavoidable consequence of the SFHP requirement for construction of SFHP units; or (c) the property owner can demonstrate to the council's satisfaction that complying with the requirements of this chapter would constitute taking property in violation of the Constitution of the United States or New Mexico." (SFCC 26-1.5)

ITEM AND ISSUE

Pulte Homes of New Mexico, Inc. proposes to build a total of 300 market rate homes on a land parcel in Las Soleras. The project is subject to the Santa Fe Homes Program (SFHP) ordinance (SFCC Chapter 26-1) which requires that 20% (60 homes) are sold at affordable sales prices to income-qualified homebuyers. Five percent (5%) of the total units (15) are to be priced affordably for homebuyers earning from 50-60% AMI; 30 units (10%) priced for homebuyers earning from 65-80% AMI; and 15 units (5%) priced for homebuyers earning from 80-100% AMI. See the attached SFHP Proposal for a breakdown of unit types and pricing.

Rather than deliver all 60 affordable homes, Pulte Homes requests to satisfy the SFHP requirement through the following:

- Donate six (6) building lots to Habitat for Humanity for construction of homes priced affordably to homebuyers earning no more than 60% AMI. The equivalent value of this donation is calculated through the following: \$90,000 per lot X 6 = \$540,000.
- Donate a four (4)-acre parcel within Las Soleras that is suitable for future construction of a 60-72 unit LIHTC (Low Income Housing Tax Credit) project. The value of this parcel is estimated to be \$5.00 square foot X 174,240 (43,560 X 4 acres) = \$871,200.

Appendix D of the SFHP Administrative Procedures provides a calculation for estimating a fee-in-lieu that is based on MLS sales data relative to the specific area of Santa Fe. Projects that are proposed in neighborhoods with higher land values pay a higher fee-in-lieu per unit than in more affordable areas of town. For the southwest sector of Santa Fe, this fee is estimated to be approx. \$42,780 per unit for a total fee of: 42,780 X 60 = \$2,566,800. (Note: this fee is currently estimated based on 2014 income and real estate sales data and would be adjusted to present day values before being assessed.)

The difference between the fee-in-lieu for 60 units (\$2,566,800) and the estimated value of the donated land (\$1,411,200) is proposed to be compensated by the future subsidy leveraged through a LIHTC development on the donated parcel. This is a reasonable leverage assumption.

Staff recommends that the CDC consider the proposal for alternate compliance on the basis that the applicant has stated a general case for the extreme hardship that will be unavoidable if the affordable homes are built. If CDC recommends that the alternate compliance be granted, staff recommends that the CDC also considers conditions for acceptance of the alternate compliance (eg. donated lots are ready-to-build and all land use entitlements for the proposed uses are secured, etc.) to be forwarded to the Governing Body for consideration.

Attachments:

1. SFHP Proposal
2. Cover Memo from James W. Siebert
3. Proposal for Alternate Compliance



**JAMES W. SIEBERT
AND ASSOCIATES, INC.**

**915 MERCER STREET * SANTA FE, NEW MEXICO 87505
(505) 983-5588 * FAX (505) 989-7313
jim@jwsiebert.com**

MEMORANDUM

Date: June 8, 2015

To: Alexandra Ladd, Special Projects Manager

From: James W. Siebert *jws*

Re: Request for Alternate Compliance submitted by Pulte Homes at Las Soleras
Units 1 & 2

Background

Single-family home construction has remained anemic since the peak of housing development in the mid-2000's. Data from the Census Bureau Building Permits Survey indicates that permit issuance for single-family homes has failed to top 200 units since 2007. By comparison, at the peak of building activity in 2005, 503 single-family permits were issued, by contrast only 168 market rate single family permits were issued in 2014. Pulte at Las Soleras proposes to build 300 units of single-family for sale housing over a 4 to 6 year period providing much needed economic activity and sales tax revenue.

The project will be developed in four phases. Of the 300 dwellings 160 units are planned as an active adult retirement community targeting households designed for buyers 55 years of age and older. This housing product is referred to as "Age Targeted", meaning that purchasers are not restricted to the 55 year old limitation but that age group is the targeted buyer of these homes. There are 140 units of "Family Housing". This housing type is directed to young professionals and families desiring to move up to a larger and generally more expensive home.

Under the currently adopted Santa Fe Homes program requirements, the project is required to produce 60 income restricted affordable homeownership units. Understanding the need and value of affordable housing, we propose a partial alternative

means of compliance that is intended to increase the total number of affordable units provided, while offering an affordable housing option to better meet identified community housing needs.

Age Targeted Considerations

The Age Targeted component of the Pulte development includes private streets with maintenance of the asphalt, curb and gutter, sidewalk, planter strip and landscape in the common open areas being the financial responsibility of the home owners' association. The fee for the maintenance cost has not been calculated for this project but based on similar Pulte projects the monthly fee is estimated at \$60-\$80. If affordable housing were included for the Age Targeted side of the Pulte development this cost would have to be paid by the affordable home owner.

The homes are also designed for empty nesters or retirees that prefer a smaller house size, all of which are single story. The inclusion of housing suitable for larger families would not be compatible with the standard design models for the Age Targeted segment of the Pulte development.

Proposed Alternative Means of Compliance

As an alternative to the 60 for sale units, we propose to provide a combination of on-site home ownership units, combined with a land donation to the city for affordable rental housing development. We believe the city's interest in affordable housing is better served by this approach.

Acknowledging the community value of including affordable homeownership opportunities in all new development, we propose to provide 6 units located within the Family Housing area as affordable according to the SFHP (Santa Fe Homes program) guidelines.

To offset the additional 54 units of housing required under the SFHP (Santa Fe Homes program), we propose to donate to the city a minimum 4 acre parcel of land for the express purpose of affordable rental development. This size site will be sufficient to produce 60 units at 15 dwellings per acre and 72 units at 18 dwellings per acre of affordable rental housing using the Low Income Housing Tax Credit (LIHTC) model. This donation of land will ensure that the proposed project application is competitive by meeting the New Mexico LIHTC requirements for projects with municipal contribution. The four acre site is located within Las Soleras adjacent to the regional park as described on the approved Las Soleras Master Plan. The proposed site is located within one-half mile of two future bus stops and one mile of Walmart for grocery shopping.

Justification

This proposed method of alternative compliance will increase the total number of affordable units provided by 6 affordable units at 15 dwellings per acre and 12 affordable units at 18 dwellings per acre, with the majority of those units targeted towards households with lower incomes and fewer market housing options than those targeted by homeownership programs. Land donations are strategies explicitly listed as acceptable means of alternative compliance in Section 26-1.33 of the HOMES Program Ordinance.

Demographic information and strategies from the 2012 Housing Needs Assessment report also support this approach. One of the key findings of that report states that: "The biggest mismatch in market supply and demand is for very low income renters." With income targeted below 60% of the area median income, 61% of Santa Fe renters would qualify for tax credit assisted rental projects. The study also found that 3000 renters below \$25,000 annual income cannot currently find affordable housing and are cost burdened. According to statistics from the 2013 American Community Survey, 52.7% of all renters in Santa Fe are paying more than 30% of their incomes on rent.

This alternative compliance strategy is specifically referenced in policy considerations from the Housing Needs Assessment which found that city demographics are shifting and "Households may seek rental rather than homeownership options to reflect smaller households, changing financial circumstances, retirement objectives, live/work needs, etc." The section of the needs assessment discussing "Innovations in Housing" specifically cites LIHTC development in reference to: "Creating rental opportunities that serve variety of needs and incomes."

The concept of a land donation for tax credit development is not a novel idea. Citing the need for revenue streams to support rental, the report suggests that "One way to do this may be to develop alternate forms of compliance to the current unit requirement in the Santa Fe Homes Program, such as an in-lieu of fee, or private/nonprofit partnerships."

This strategy is also completely aligned with the city's opportunity "to facilitate partnerships between the nonprofit, for profit and governmental sectors to generate affordable housing. Current efforts that may be supported by the city include the development of multi-income LIHTC projects, proposed rehabilitation of public housing units and the redevelopment of commercial corridors to include affordable rental housing."

When we look at homeownership housing opportunities, current market statistics further support the affordable rental approach. A search of MLS listings in Santa City limits on February 4, 2015 returned 75 listings at or below \$200,000, a price affordable to households earning 80% of the area median income. There were an additional 69 units listed between \$200,000 and \$250,000, the approximate sales price limit for a household at 100% of area median income. With a greater supply of market rate homes affordable to moderate-income households, affordable rental housing better matches the community's current housing needs.

The use of Low Income Housing Tax Credits as a development model also helps attract new financial resources for affordable housing into the community. The leveraging of new resources is explicitly referenced in Section 26-133(C) of the SFHP (Santa Fe Homes program) ordinance referencing considerations for determination of an acceptable Alternative Means of Compliance. The tax credit awards for a 60-unit project can range from \$6-10 million, far more than would be produced by the discounts created by for-sale housing.



Agenda

CITY CLERK'S OFFICE

DATE 7/21/15 TIME 11:27am

SERVED BY Margaret Ambrosino

RECEIVED BY Alicia Lattin

COMMUNITY DEVELOPMENT COMMISSION MEETING

Wednesday, July 29, 2015

3:30-5:00 p.m.

500 Market Street, Suite 200

Engine Conference Room

1. Call to Order
2. Roll Call
3. Approval of Agenda
4. Review of Minutes: June 17, 2015 CDC
5. Proposal for Alternate Compliance for Pulte at Las Soleras (SFHP) – James Siebert & Associates – Continuation from June 17, 2015 meeting (Alexandra Ladd).
6. Items from the Commission
7. Items from the Floor
8. Adjournment

An interpreter for the hearing impaired is available through the City Clerk's office upon five days notice. Please contact 955-6521 for scheduling.

City of Santa Fe, New Mexico

memo

Date: June 9, 2015

To: Members of the Community Development Commission

Via: Kate Noble, Interim Director *KN*
Housing and Community Development Department

From: Alexandra Ladd, Special Projects Manager *ALL*
Housing and Community Development Department

Re: Request for Alternate Compliance for Pulte at Los Soleras

ACTION REQUESTED

Provide recommendation to the Governing Body regarding the attached proposal for alternate compliance submitted by James Siebert & Associates on behalf of Pulte Homes.

BACKGROUND

One of the goals of the Santa Fe Homes Program (SFHP) is to *"foster economic integration by requiring that developers provide required SFHP units and manufactured home lots on the property proposed for development."* [(SFCC 26-1.33(A))] However, the ordinance also allows for a developer to petition the City Council to comply with the affordability requirement through an alternate means of compliance, *"...off-site construction, cash payment in lieu of constructing or creating the required SFHP units or manufactured home lots or dedication of land suitable for construction or creation of inclusionary units of equivalent or greater value than would be required for onsite construction."* [(SFCC 26-1.33(A))]

The alternate means of compliance may be considered if the proposal demonstrates that the project meets the definition of "extreme hardship" which the ordinance defines as: *"a condition occurring as a direct consequence of the SFHP Ordinance which: (a) deprives a property owner of all economically viable use of the subject property taken as a whole; or (b) would require the property owner to lose money on the development taken as a whole and the property owner can demonstrate to the governing body's satisfaction that said loss would be an unavoidable consequence of the SFHP requirement for construction of SFHP units; or (c) the property owner can demonstrate to the council's satisfaction that complying with the requirements of this chapter would constitute taking property in violation of the Constitution of the United States or New Mexico."* (SFCC 26-1.5)

ITEM AND ISSUE

Pulte Homes of New Mexico, Inc. proposes to build a total of 300 market rate homes on a land parcel in Las Soleras. The project is subject to the Santa Fe Homes Program (SFHP) ordinance (SFCC Chapter 26-1) which requires that 20% (60 homes) are sold at affordable sales prices to income-qualified homebuyers. Five percent (5%) of the total units (15) are to be priced affordably for homebuyers earning from 50-60% AMI; 30 units (10%) priced for homebuyers earning from 65-80%AMI; and 15 units (5%) priced for homebuyers earning from 80-100% AMI. See the attached SFHP Proposal for a breakdown of unit types and pricing.

Rather than deliver all 60 affordable homes, Pulte Homes requests to satisfy the SFHP requirement through the following:

- Donate six (6) building lots to Habitat for Humanity for construction of homes priced affordably to homebuyers earning no more than 60% AMI. The equivalent value of this donation is calculated through the following: \$90,000 per lot X 6 = \$540,000.
- Donate a four (4)-acre parcel within Las Soleras that is suitable for future construction of a 60-72 unit LIHTC (Low Income Housing Tax Credit) project. The value of this parcel is estimated to be \$5.00 square foot X 174,240 (43,560 X 4 acres) = \$871,200.

Appendix D of the SFHP Administrative Procedures provides a calculation for estimating a fee-in-lieu that is based on MLS sales data relative to the specific area of Santa Fe. Projects that are proposed in neighborhoods with higher land values pay a higher fee-in-lieu per unit than in more affordable areas of town. For the southwest sector of Santa Fe, this fee is estimated to be approx. \$42,780 per unit for a total fee of: 42,780 X 60 = \$2,566,800. (Note: this fee is currently estimated based on 2014 income and real estate sales data and would be adjusted to present day values before being assessed.)

The difference between the fee-in-lieu for 60 units (\$2,566,800) and the estimated value of the donated land (\$1,411,200) is proposed to be compensated by the future subsidy leveraged through a LIHTC development on the donated parcel. This is a reasonable leverage assumption.

Staff recommends that the CDC consider the proposal for alternate compliance on the basis that the applicant has stated a general case for the extreme hardship that will be unavoidable if the affordable homes are built. If CDC recommends that the alternate compliance be granted, staff recommends that the CDC also considers conditions for acceptance of the alternate compliance (eg. donated lots are ready-to-build and all land use entitlements for the proposed uses are secured, etc.) to be forwarded to the Governing Body for consideration.

Attachments:

1. SFHP Proposal
2. Cover Memo from James W. Siebert
3. Proposal for Alternate Compliance



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MEMORANDUM

Date: June 8, 2015

To: Alexandra Ladd, Special Projects Manager

From: James W. Siebert *jws*

Re: Request for Alternate Compliance submitted by Pulte Homes at Las Soleras
Units 1 & 2

Background

Single-family home construction has remained anemic since the peak of housing development in the mid-2000's. Data from the Census Bureau Building Permits Survey indicates that permit issuance for single-family homes has failed to top 200 units since 2007. By comparison, at the peak of building activity in 2005, 503 single-family permits were issued, by contrast only 168 market rate single family permits were issued in 2014. Pulte at Las Soleras proposes to build 300 units of single-family for sale housing over a 4 to 6 year period providing much needed economic activity and sales tax revenue.

The project will be developed in four phases. Of the 300 dwellings 160 units are planned as an active adult retirement community targeting households designed for buyers 55 years of age and older. This housing product is referred to as "Age Targeted", meaning that purchasers are not restricted to the 55 year old limitation but that age group is the targeted buyer of these homes. There are 140 units of "Family Housing". This housing type is directed to young professionals and families desiring to move up to a larger and generally more expensive home.

Under the currently adopted Santa Fe Homes program requirements, the project is required to produce 60 income restricted affordable homeownership units. Understanding the need and value of affordable housing, we propose a partial alternative

means of compliance that is intended to increase the total number of affordable units provided, while offering an affordable housing option to better meet identified community housing needs.

Age Targeted Considerations

The Age Targeted component of the Pulte development includes private streets with maintenance of the asphalt, curb and gutter, sidewalk, planter strip and landscape in the common open areas being the financial responsibility of the home owners' association. The fee for the maintenance cost has not been calculated for this project but based on similar Pulte projects the monthly fee is estimated at \$60-\$80. If affordable housing were included for the Age Targeted side of the Pulte development this cost would have to be paid by the affordable home owner.

The homes are also designed for empty nesters or retirees that prefer a smaller house size, all of which are single story. The inclusion of housing suitable for larger families would not be compatible with the standard design models for the Age Targeted segment of the Pulte development.

Proposed Alternative Means of Compliance

As an alternative to the 60 for sale units, we propose to provide a combination of on-site home ownership units, combined with a land donation to the city for affordable rental housing development. We believe the city's interest in affordable housing is better served by this approach.

Acknowledging the community value of including affordable homeownership opportunities in all new development, we propose to provide 6 units located within the Family Housing area as affordable according to the SFHP (Santa Fe Homes program) guidelines.

To offset the additional 54 units of housing required under the SFHP (Santa Fe Homes program), we propose to donate to the city a minimum 4 acre parcel of land for the express purpose of affordable rental development. This size site will be sufficient to produce 60 units at 15 dwellings per acre and 72 units at 18 dwellings per acre of affordable rental housing using the Low Income Housing Tax Credit (LIHTC) model. This donation of land will ensure that the proposed project application is competitive by meeting the New Mexico LIHTC requirements for projects with municipal contribution. The four acre site is located within Las Soleras adjacent to the regional park as described on the approved Las Soleras Master Plan. The proposed site is located within one-half mile of two future bus stops and one mile of Walmart for grocery shopping.

Justification

This proposed method of alternative compliance will increase the total number of affordable units provided by 6 affordable units at 15 dwellings per acre and 12 affordable units at 18 dwellings per acre, with the majority of those units targeted towards households with **lower incomes** and fewer market housing options than those targeted by homeownership programs. Land donations are strategies explicitly listed as acceptable means of alternative compliance in Section 26-1.33 of the HOMES Program Ordinance.

Demographic information and strategies from the 2012 Housing Needs Assessment report also support this approach. One of the key findings of that report states that: "The biggest mismatch in market supply and demand is for very low income renters." With income targeted below 60% of the area median income, 61% of Santa Fe renters would qualify for tax credit assisted rental projects. The study also found that 3000 renters below \$25,000 annual income cannot currently find affordable housing and are cost burdened. According to statistics from the 2013 American Community Survey, 52.7% of all renters in Santa Fe are paying more than 30% of their incomes on rent.

This alternative compliance strategy is specifically referenced in policy considerations from the Housing Needs Assessment which found that city demographics are shifting and "Households may seek rental rather than homeownership options to reflect smaller households, changing financial circumstances, retirement objectives, live/work needs, etc." The section of the needs assessment discussing "Innovations in Housing" specifically cites LIHTC development in reference to: "Creating rental opportunities that serve variety of needs and incomes."

The concept of a land donation for tax credit development is not a novel idea. Citing the need for revenue streams to support rental, the report suggests that "One way to do this may be to develop alternate forms of compliance to the current unit requirement in the Santa Fe Homes Program, such as an in-lieu of fee, or private/nonprofit partnerships."

This strategy is also completely aligned with the city's opportunity "to facilitate partnerships between the nonprofit, for profit and governmental sectors to generate affordable housing. Current efforts that may be supported by the city include the development of multi-income LIHTC projects, proposed rehabilitation of public housing units and the redevelopment of commercial corridors to include affordable rental housing."

When we look at homeownership housing opportunities, current market statistics further support the affordable rental approach. A search of MLS listings in Santa City limits on February 4, 2015 returned 75 listings at or below \$200,000, a price affordable to households earning 80% of the area median income. There were an additional 69 units listed between \$200,000 and \$250,000, the approximate sales price limit for a household at 100% of area median income. With a greater supply of market rate homes affordable to moderate-income households, affordable rental housing better matches the community's current housing needs.

The use of Low Income Housing Tax Credits as a development model also helps attract new financial resources for affordable housing into the community. The leveraging of new resources is explicitly referenced in Section 26-133(C) of the SFHP (Santa Fe Homes program) ordinance referencing considerations for determination of an acceptable Alternative Means of Compliance. The tax credit awards for a 60-unit project can range from \$6-10 million, far more than would be produced by the discounts created by for-sale housing.