



Agenda

CITY CLERK'S OFFICE

DATE 3-8-07 TIME 11:57

SERVED BY Cheryl

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AMENDED

STUDY SESSION OF THE GOVERNING BODY

SANTA FE HOMES PROGRAM

MARCH 13, 2007

5:30 P.M. – 7:00 P.M.

**SANTA FE PUBLIC LIBRARY
COMMUNITY ROOM
145 WASHINGTON AVENUE**

- 1) **CALL TO ORDER**
- 2) **ROLL CALL**
- 3) **APPROVAL OF AGENDA**
- 4) **CHANGES TO SANTA FE HOMES PROGRAMSS**
 - a) **Requirements based on number of units**
 - b) **Fee in Lieu**
 - c) **Low Priced Dwelling Units**
- 6) **ADJOURN**

Interpreter for the hearing impaired available through the City Clerk's Office upon five days notice.



Agenda

CITY CLERK'S OFFICE

DATE 3/8/07 TIME 10:37

SERVED BY Chadley

RECEIVED BY Janette High

STUDY SESSION OF THE GOVERNING BODY

SANTA FE HOMES PROGRAM

MARCH 13, 2007

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SANTA FE GOVERNING BODY STUDY SESSION
March 13, 2007

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**MINUTES OF THE STUDY SESSION
OF THE GOVERNING BODY
City Library
Community Room
Santa Fe, New Mexico
March 13, 2007**

1. CALL TO ORDER

A Study Session of the Governing Body of the City of Santa Fe, New Mexico, was called to order by Mayor David Coss, on March 13, 2007, at approximately 5:30 p.m., in the Community Room at the City Library, Santa Fe, New Mexico.

2. ROLL CALL

Roll Call indicated the presence of a quorum, as follows:

Members Present

Mayor David Coss
Councilor Patti J. Bushee
Councilor Christopher Calvert
Councilor Karen Heldmeyer
Councilor Rebecca Wurzbarger

Members Excused

Councilor Miguel Chavez, Mayor Pro-Tem
Councilor Carmichael A. Dominguez
Councilor Matthew E. Ortiz
Councilor Ronald S. Trujillo

3. APPROVAL OF AGENDA

MOTION: Councilor Bushee moved, seconded by Councilor Wurzbarger, to approve the Agenda as published.

VOTE: The motion was approved unanimously on a voice vote.

4. CHANGES TO SANTA FE HOMES PROGRAM

A copy of a Memorandum dated March 5, 2007, to Mayor David Coss and Santa Fe City Councilors, from Kathy McCormick, Office of Affordable Housing, regarding Santa Fe Homes Program Changes, is incorporated herewith to these minutes as Exhibit "1."

Kathryn McCormick presented information via power point. The text of the power point presentation is incorporated herewith to these minutes as Exhibit "2."

a) Requirements based on number of units.

Councilor Heldmeyer said it is not exactly true to say that other projects don't get review. They do get staff review, but they don't get Development Plan review. Ms. McCormick said this is correct.

Councilor Heldmeyer said developers are "chopping up" developments to get around the water rights ordinance. She asked if it would be the case that developers would then "chop up" developments to meet a lower affordable housing threshold.

Ms. McCormick said it is possible this could be an unintended consequence of this option, although she doesn't know the likelihood of this happening. She understands the City is moving to change the water rights ordinance.

Mayor Coss said nothing is proposed at this time.

Responding to Councilor Heldmeyer, Ms. McCormick said she doesn't mean the City will capture buildings which convert to a timeshare. She said for a condo conversion, they come through for a building permit for two or more units and we can capture them under the Santa Fe Housing Programs Ordinance

Councilor Heldmeyer said, for example, if there are 10 units and there is an intention to go to condos or timeshares, and they come in for separate building permits for each unit, which frequently is done, then the City wouldn't capture them.

Ms. McCormick said many come in for a project of 20 or fewer units and when they run into the ordinance, they then drop the project.

b) Fee in Lieu

Councilor Bushee said her concern this evening thus far is we are talking about things in separate boxes which need to be done together. She believes we need to talk about zoning as well as the other issues. She can't really say whether these are acceptable without playing out all of the scenarios and where we need to tighten the code. She said we need a new threshold for the fee in lieu. She is concerned about doing this in a piecemeal way.

Ms. McCormick said staff is recommending that the smaller projects do the fee in lieu, and anything above that would have to get Council approval. She said this could produce sufficient dollars to be able to place housing closer to the downtown area. She believes this is a way to encourage infill in some of the neighborhoods, downtown in particular

Councilor Heldmeyer said there is nothing in here that says that this will be used for more housing in this area. Ms. McCormick said policy direction is needed from the Council and that would be part of the discussion. Councilor Heldmeyer said if this is a given, then the presentation is slanting the way people are thinking.

Ms. McCormick said she is trying to respond to what she's heard, which is a concern about having housing which is going closer to downtown, infill development in the downtown,

and what are some of the options which we could explore to support those efforts.

Councilor Heldmeyer said she is not sure she wants infill development downtown if they don't have inclusionary zoning, and she is not sure she wants infill development downtown if it is going to be fractional ownerships or timeshares. She believes that is a set of policy decisions as well.

Ms. McCormick said she is trying to say these are staff's ideas to introduce more housing in the downtown area or closer to the downtown areas. She said she has heard that no housing is coming into some of these neighborhoods because of the requirements. She thinks of this as being in the downtown plaza area. This option is being offered for response by the Council.

Councilor Heldmeyer believes we need to keep the specific of the options separate from speculation about policies which might or might not drive what happens to that option if it was adopted, which she believes are two separate issues.

Mayor Coss said he is unsure the City wants to use affordable housing policy to encourage or discourage infill, noting there are a lot of issues in the historic district and downtown right now.

Ms. McCormick said, "The clarification that I'm looking for is if you are trying to encourage residential uses in or near the downtown area, so that would be the first thing, and you think that this program might be affecting the ability of developers, but we don't know for sure, it's very hard to know that for sure. Everybody will tell you, oh yes I was going to do residential, but acknowledge that I changed my plan to something else."

Councilor Heldmeyer asked if we know that from maybe. Ms. McCormick said it is a maybe. She said she thinks the Santa Fe Homes Program is good, but might be affecting the ability for this to occur. If we believe that, then this one way we might come forward to change that.

Responding to Councilor Heldmeyer, Ms. McCormick said there are circumstances where a fee in lieu makes sense.

Councilor Heldmeyer said the policy of not taking a fee in lieu has been voted as a policy by this Council two or three times.

Ms. McCormick said she is advising the Council based on her experience that you need to have an option in the ordinance.

Responding to Councilor Bushee, Ms. McCormick said she doesn't know if this is an option for the County, noting that the County does have a different threshold.

Councilor Calvert asked how the fee-in-lieu contribution would be utilized.

Ms. McCormick said an RFP would be issued to build another house.

Councilor Calvert said then the fees would be used to compensate for what isn't

provided, and asked if it does that. Ms. McCormick said the fractional fees would go into the roundtable, and then the roundtable would allocate it to the homeowners and the Housing Trust. She said her experience in Colorado was that the dollars can be leveraged at 7 to 1, so they got more units than if the homes had been built.

Councilor Calvert asked if the funds were used to build somewhere else where it is cheaper to build. She said sometimes it was done on land which could be land banked for ten years, and sometimes it was used in other projects which were built by non-profits.

Councilor Calvert said it seems it would be a natural tendency to take funds to try and get the best bang for the buck, which means you go where the land is cheapest and a lot of this gets concentrated in one area as opposed to being distributed. Ms. McCormick said this is the strongest preference.

Ms. McCormick said she wants to make it clear that she isn't advocating taking a fee in lieu, but she is advocating having this as a part of the program. Ms. McCormick said the fee in lieu is onerous at \$247,000. Option one is the most basic formula, the maximum that can be charged.

Ms. McCormick said the biggest concern with the fee in lieu is that it isn't used somehow for affordable housing. She said, however, the Council can say strongly that they don't want it. She said she tried to tie the fee in lieu to the smaller projects.

Councilor Heldmeyer asked what makes the fee in lieu onerous. Ms. McCormick said the high dollar amount and that you have to go through the City Council, and the risk that involves make it a disincentive.

Councilor Heldmeyer said this would be \$67,000 for each affordable unit, and asked how this would be used. Ms. McCormick said the City would set the guidelines for how the money is to be used.

Councilor Wurzbarger said then the money would go into a fund and the City would use those funds for affordable units.

Ms. McCormick said, for example, we need housing for seniors, so the funds could be used to reduce the cost per unit to reduce the rental or purchase price.

Councilor Heldmeyer said her understanding of tax credit rental housing is that senior and disabled housing is less likely to be rented at market rate, than for regular tax credit housing. Ms. McCormick said she can only say that the applications she sees are at 60% of AMI, which is based on household size, and the rent would be along those lines.

Responding to Ms. McCormick, Mayor Coss said he senses that this group is not ready to answer the questions posed.

Councilor Heldmeyer said she doesn't believe this are the right questions. The question is which, or any, of the fee in lieu approaches to the Santa Fe Program should be included by staff.

Councilor Wurzbarger believes Option 3 should be included. This is a good tool which can be used on high end projects. She would rather have more housing downtown. She would like to be able to capture small projects in the program and have more affordable housing.

Councilor Bushee said the City can capture those by lowering the threshold over-all. She believes we need to separate out the downtown issues completely. She said there are other issues to consider. She said the changes in building codes for more green and carbon neutral homes will raise the costs, and we need money to subsidize those costs. The City can change the downtown through zoning and encourage the kind of development it would like to have there. She wants the City to influence designs and produce more sustainable and energy efficient homes. She sees this as needing an overhaul in too many layers.

Councilor Heldmeyer said the original HOP program, which was carried over into the Homes Program, is intended to do two things. One is to provide affordable homes and the other is to provide inclusionary zoning. She said the question then becomes are there are parts of town where we want to throw out inclusionary zoning because of various limitations. She doesn't know that the Council has reached an agreement in this regard. She said part of the conclusion about both programs is that they try to serve two masters, and sometimes those are in close proximity to each other and sometimes they aren't. She asked if there is some point at which you say the cost for inclusionary zoning is just so high that we'll just take the money. We are becoming too divided as a community, and we can't do this all the time, although there are situations where it might be appropriate. She said our laws should reflect our policy issues, and there should be some philosophical basis behind the laws.

Ms. McCormick said there was a development which would have been for five units, and then they found they would have to do one house, so they dropped it to two units so they would pay the fractional fee, noting it was a very high-end project. She said staff is trying to respond to some of these situations.

Councilor Wurzbarger said she doesn't see this as replacing inclusionary zoning. She wants to fix what needs to be fixed, so you can't decide to do three instead of five.

Ms. McCormick summarized that she is hearing that there may be some zones where a zoning overlay zoning approach could address some of the issues and concerns, as opposed to making this blanket across the community. The other thing she is hearing is a lot of trepidation about what a fee in lieu really means, and how the integrity and intent of the inclusionary zoning program will be maintained if this is offered as an option. She said staff needs to come back with examples of how other communities handle this. She said land use attorneys with whom she worked previously all told her that there needs to be an option which can be made as onerous as you want.

Councilor Heldmeyer said there already is an option in the current law, which is that you come before the Council and prove hardship. She said our attorneys and other people's attorneys have said that is a sufficient escape hatch.

Ms. McCormick agreed, but said it doesn't provide what a builder does to substitute for that, and there is no mechanism to do that do if you prove hardship.

Councilor Calvert said he needs more information on the three options with regard to the

impacts of the cheaper housing markets versus the higher end. Ms. McCormick said perhaps the Council could direct staff to get another year's experience before making this change.

Councilor Bushee asked if it also changes the kind of housing mix we will get. She said we have been seeing big annexation and big developments by big out of town companies, which are changing the kind of housing mix we're getting. She asked if we want product at any cost. She believes it is a bigger decision than just making it onerous. She believes the City needs to decide what it is it really wants.

Councilor Calvert asked, if we chose a fee in lieu, would we be better able to target the housing which actually is needed. Ms. McCormick said this would be done through the establishment of priorities. She has seen communities put the fee in lieu money in separate pots for specific uses. She said how this is done needs to be made very clear.

c) Low Priced Dwelling Units.

Councilor Heldmeyer asked what percentage of these units have been for profit. Ms. McCormick said she doesn't have an exact figure.

Councilor Heldmeyer asked if this incentive has worked. Ron said there are many HOP Type A's which are just now getting ready to build and coming before staff. Ms. McCormick said the Type A is the same as the low priced dwelling unit.

Ms. McCormick said the reasons for doing this is because staff is concerned about water for these households. Ron said the homes are appraising at \$250,000, but are selling at \$109,000. Ms. McCormick said the issue is that there is no lien or anything in place to keep the house affordable.

Councilor Heldmeyer said it could be designed so that the incentive of imposing liens on all of the Type A's is that they get the waivers. Ms. McCormick said it is no different from Santa Fe Homes where a unit is priced at 80%, but you can go up to 100%.

Councilor Heldmeyer needs information as to who, besides non-profits, have taken advantage of this, how often and under what circumstances.

Councilor Heldmeyer said Councilor Chavez is concerned about the differences between the City and County programs and the incentives to build one place or another, and he would like an analysis of these particular points.

Ms. McCormick said there are several different County programs which could result in confusion. She said staff will prepare this analysis.

Ms. McCormick would like to move forward with some of the other changes with which the Council agreed at the previous work session were okay and send those through the Committee process. She said the current questions and issues can be put aside for another study session.

Comments from the audience

Kim Shanahan noted that the City is looking at a Green Building Code, commenting that green building is more costly, and he would like to see the City consider some means of increasing the threshold for green building consideration. He said Fannie Mae recognizes green mortgages. Additionally, Mr. Shanahan said his homes are becoming cheaper and cheaper, while the costs to build them are going up and up and up.

Mike Lofton said there are three issues with regard to the fee in lieu. You have to demonstrate severe hardship, the City Council has to approve it, and the third issue is how to calculate it. He said the City needs to calculate an equitable formula and determine the definition of a small project. He said even if the City decides not to change anything, the City should at least look at the formula.

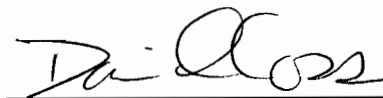
Sharon Welsh spoke about the geographic hardships associated with difficult sites [Ms. Welsh's remarks were for the most part inaudible].

Daniel Werwath, Santa Fe Community Housing Trust, said it is important to keep affordability which will increase the number of affordable homes.

5. ADJOURN

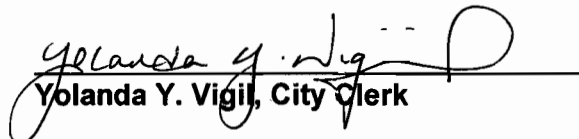
The meeting was adjourned at 5:59 p.m.

Approved by:



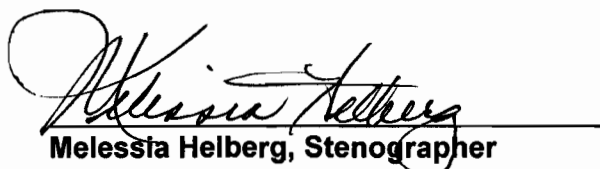
Mayor David Coss

ATTESTED TO:



Yolanda Y. Vigil, City Clerk

Respectfully submitted:



Melessia Helberg, Stenographer