

Memo

DATE: 9/24/2020

TO: Ashland Housing and Human Services Commission
Ashland Planning Commission
Ashland City Council

FROM: Brandon Goldman, Senior Planner
Linda Reid, Housing Program Specialist

RE: Affordable Housing Standards – Stakeholder meeting

On August 11th and August 14th, 2020 meetings were convened consisting of City Staff, Elected and Appointed officials, and members of the development communities representing both affordable housing providers and market-rate housing developers. Those in attendance at one or both meetings included:

Elected and Appointed Officials

Dennis Slattery, City Council
Alan Harper, Planning Commission
Rich Rohde, Housing & Human Services
Commission

Affordable Housing Providers

Cindy Dyer, Columbia Care
Denise James, Habitat for Humanity
Ryan Haynes, Housing Authority of
Jackson County
Brian Shelton-Kelley, NeighborWorks
Umpqua

City of Ashland Staff

Bill Molnar, Community Dev. Director
Brandon Goldman, Senior Planner
Linda Reid, Housing Specialist

Market Rate Developers

Kyle Taylor, Taylored Elements
Mark Knox, KDA Homes
Laz Ayala, KDA Homes
Rick Harris, Realtor

During the stakeholder meeting(s) open discussion among the participants explored the intended and potentially unintended consequences of the draft revisions to the affordable housing standards. The group explored Ashland's existing Affordable Housing Standards and discussed whether the changes being considered would help or hinder the production of affordable housing. Through these discussions it was evident that the production of affordable housing benefiting households earning less than 80% the area median income could best be achieved by coordination between market-rate developers and affordable housing providers. Below is a summary of various issues discussed by the meeting



participants. Staff was able to take these discussions into consideration and incorporate changes into the draft ordinance being presented to the Commissions and Council for consideration.

60-year versus a 30-year term of affordability:

Annexations and Zone Change standards within the Ashland Land Use Ordinance currently require the affordable units remain affordable for 60 years. Both market-rate developers and Affordable Housing Developers expressed that the standard applying equally to both rentals and ownership did not afford buyers of affordable housing units to realize equity returns. Specifically, Habitat for Humanity noted that the 60-year restriction was too long and did not work with Habitats equity share model where they sell the finished home to the homeowner for the appraised cost, then recapture a portion of the equity upon resale. Affordable housing providers further noted that a 60-year term for affordable rental housing did align with other restrictions from primary funding sources such as the Low-Income Housing Tax Program. It was further expressed that a 30-year cap for affordable ownership units would be better for lenders and homeowners. Additionally, it was stated that ownership housing is a tiered system that provides for upward mobility, and as such affordable housing can provide the entry tier for homeownership, and a 30-year term would better address this mobility objective. The Housing Authority of Jackson County noted that to be competitive in obtaining state or federal funding for an affordable rental housing project, a 60-year term is standard. This discussion raised the issue that instead of changing the existing 60-year requirement to 30 years for all affordable units, perhaps the final ordinance could provide differing periods of affordability for affordable rental housing and affordable ownership housing.

Distribution of affordable housing throughout the Development:

Annexations and Zone Change standards within the Ashland Land Use Ordinance currently require that the affordable units provided shall be distributed throughout the project. The stakeholders did discuss existing ordinance’s underlying intent to not cluster all the affordable units together and create a separate neighborhood of low-income residences. It was also expressed that the size of Ashland’s developable properties leads to smaller developments where such segregation or “stigmatization” of low-income housing has not been evident. Noting that as such small developments are not impacted by the social justice issue the ordinance intended to address, a market rate developer explained that needing to provide some of the the highest value land to the affordable units due to the distribution requirement undercuts the developer’s ability to “subsidize” the units through the sale of the market rate units. The participants in the meeting(s) were in general agreement that removal of the distribution requirement would help facilitate the development of affordable housing.

Transfer of land to a non-profit affordable housing provider:

Annexations and Zone Change standards within the Ashland Land Use Ordinance currently provide an option that a market rate developer can transfer land to an affordable housing provider or public corporation to satisfy the affordable housing requirement. However, this standard is presently unclear as to whether this also satisfies the timing requirements for affordable housing to be developed concurrent with the market rate homes. In discussing this potential clarification regarding transfer of land, the participants expressed that the creation of affordable housing has historically been accomplished through a transfer to an affordable housing provider. Private market developers explained that they don’t have the same access to affordable housing financing programs that the non-profits have and such partnership with an affordable housing provider is key. Further it was noted that holding costs of the property to the private market developer were a barrier and if they could transfer it to the affordable housing developer early in the process that would assist in their financial project pro formas. It was also noted



that upon receipt of transferred land, an affordable housing provider would seek development financing and that competitive process and award cycle is out of the control of the market rate development. As there was general agreement that the transfer of land to an affordable housing provider was advantageous to creating affordable housing, and that the market rate development should be able to move forward independent of the development of the affordable housing once the transfer is complete.

Maximum Resale and Maximum Rental Formulas.

The proposed changes to the affordable housing standards include revisions to how the resale value of ownership units is calculated, as well as changing the formula calculation for affordable rents. Stakeholder participants were favorable to moving the ownership calculation from the current variable formula to a fixed rate formula as it was noted that having such clarity in the resale formula is really helpful for homeowners and is beneficial in application with a land trust model. It was further supported in that a fixed rate formula provides some predictable equity return for the homeowner. There was concern that the 1.5% rate may be insufficient to keep up with market rate appreciation. Affordable rental providers were favorable to changing the rental rate formula to be indexed using the HOME program as proposed, but further questioned whether the formula could also consider the maximum rents per the Low Income Housing Tax Credit program for projects that receive LIHTC funding. In consideration of these differing indexes, and in acknowledging that LIHTC is a significant funding source for larger rental developments, Staff has modified the draft ordinance to address this issue.

Conclusion

Overall, the stakeholder meetings allowed members of the development community to review the proposals being considered and provide early input to help shape the final ordinance. In addition to providing direct feedback early in the process, the meetings also functioned to inform the participants of the potential changes, so they are better able to provide informed testimony at the future public hearings. Attendees voiced that workforce housing (moderate income/ownership) programs should be supported through the jurisdiction and Affordable housing (low-income/rentals) are best accomplished through transfer of land to affordable housing providers who are better equipped to undertake and manage such developments. The opportunity for market-rate developers and non-profit affordable housing developers to meet and discuss the program together further clarified that their efforts to develop affordable housing in Ashland is best accomplished through partnerships. The changes proposed to the Affordable Housing Standards within the Ashland Land Use Ordinance should function to facilitate such coordination.

