

HOUSING ADVISORY COMMITTEE – Subcommittee
Minutes
Neighborhood Development Services Conference Room
December 18, 2013
12:00 pm

Attendance Record	Present	Absent
MEMBERS		
Chris Murray	X	
Dan Rosensweig	X	
Frank Stoner	X	
Jennifer McKeever		X
Joy Johnson	X	
Kristin Szakos	X	
STAFF		
Kathy McHugh	X	
Melissa Thackston	X	
Margot Elton	X	
Paige Foster	X	
VISITORS		
Zan Tewksbury	X	

Dan Rosensweig called the meeting to order, stating that this subcommittee meeting would cover two issues: (1) answers to the legal questions raised in the previous meeting, and (2) discussion about appropriate use of CHF funds (whether these funds ought to be used strictly for unit generation, or whether they could also be allocated for programmatic uses).

Kathy McHugh elaborated on the first topic, reminding the group that, in the previous meeting, the group had directed Paige Foster to look into three topics: (1) the ability of the City to define “affordability”; (2) the legality of Policy Letter #1’s current City resident/employee requirement for CHF beneficiaries; and (3) the ability of the City to require repayment of CHF funds should affordability be lost.

Definition of Affordability

Kathy McHugh passed out a table that Paige Foster had created to show the various enabling legislation for affordable housing. Paige Foster explained to the group that the chart was color coded to show which items were similar, to allow for some grouping.

Kathy McHugh reminded the subcommittee that the question Paige Foster has been asked to research was based upon the fact that the City already has a definition for “affordability” in our Affordable Dwelling Unit (ADU) ordinance, and therefore the group wanted to know if we have the legal authority to define “affordable” is a separate context.

Paige Foster explained to the group that CHF funding is dispersed pursuant to Virginia Code 15.2-953, which allows for gifts, donations, or appropriations to be given to charitable institutions or non-profit organizations (under certain conditions). Under this particular legislation, there is no codified definition of “affordable” leaving the matter open for local interpretation. The remainder of the legislative options (as shown on the chart) were included for reference, but were not applicable to the use of CHF funds.

Kathy McHugh asked whether, under 15.2-953, when appropriating or donating funds to non-profits, is it legal for the City to put limits and restrictions on those appropriations/donations. In response, Paige Foster

said that her understanding, taken from conversations with Lisa Robertson, was that this was within the legal rights of the City. How far this can be taken (i.e. how restrictive the City can be with funds) is another issue that would need further research.

Chris Murray asked who would have standing to challenge these limits. Kristin Szakos responded that anyone who wasn't awarded money would have standing.

Dan Rosensweig noted that there was no mention on the chart of loans, and asked whether the City was able to make loans under our enabling legislation, or whether the only way to disperse funds was through grants, gifts, and appropriations.

Kathy McHugh responded that the City can give loans for residential rental properties, under 15.2-958.

Kathy McHugh then asked about the possibility of a revolving loan fund (RLF) for purchase of land or homeownership, rather than solely rental.

Paige Foster responded that there were more conditions on this, and this topic merited further research.

There was then some discussion about the distinction between recipients and beneficiaries. Melissa Thackston questioned the application of §15.2-953. She asked Paige Foster how this deals with people moving into the city and the resident preference in Policy Letter #1. Paige Foster responded that there is an important distinction between recipients and beneficiaries that needed clarification. Recipients are those organizations which receive funding from CHF; beneficiaries are those persons who benefit from projects that are undertaken and/or developed by recipients. For organizations receiving CHF funds, the organization itself doesn't have to be in the City limits, but it has to serve City residents. The organization does not have to serve exclusively City residents, but the money that they received from CHF must be used to serve City residents.

Residency and Employment Preference

There are currently two pertinent references in the current Policy Letter, which Paige Foster summarized for the group. These are that there is a requirement that recipients of funds must either (1) be a resident of the City or (2) have been employed in the City for the past 5 years.

Paige Foster then explained that there are a few risks to having residency and employment preferences. These include the risk of violating (1) the fundamental right to travel and (2) the Fair Housing Act or Equal Protection clause. The right to travel allows for citizens of the United States to establish residency wherever in the country they please, and to be considered residents on day one with the same benefits of resident who had lived there for several years. Paige Foster said that she saw Fair Housing as presenting more of a potential risk than Equal Protection. Under Fair Housing, one cannot discriminate against any protected class, which includes race, color, religion, national origin, sex, disability, and familial status. While residency does not fall under these protected classes per se, the Fair Housing Act contains a clause that prohibits discriminatory purpose or effect. Discriminatory purpose or effect occurs when one portion of one of these protected classes can be shown to have been discriminated against, intentionally or unintentionally. Paige Foster provided an example: if there is one race of people represented in Albemarle County but not at all in Charlottesville, constraining funds to beneficiaries from Charlottesville could be construed as discriminating against that race, which would violate Fair Housing Act.

To avoid as much risk as possible, Paige Foster recommended eliminating residency/employment as a requirement and change it to a preference, and to consider using a larger boundary for residency than the

City limits, but certainly using no smaller area than the City limits (i.e. no project can be exclusive to residents of an area smaller than the whole City).

There was then some discussion about the ability of the City to designate CHF funding for specific areas within the City. Kristin Szakos asked whether this would eliminate the ability of Council to specify locations for use of CHF funds. She asked specifically in relation to the request from the Standard development on West Main Street to have their ADU contribution designated for the 10th and Page neighborhood. Paige Foster responded that she thought that that was different, as it dealt with where a project could be built rather than who was allowed to move in. Dan Rosensweig agreed that this was different, and clarified that he thought that to abide by the Fair Housing Act, a project could not be built and then only offered to Westhaven tenants, for example. Chris Murray clarified that funds could be allocated for use in a specified neighborhood. Kristin Szakos confirmed that this was legal, but that the residents who move in could not be restricted.

The conversation then turned to the 5-year employment requirement. Paige Foster said that, due to the right to travel, there cannot be residency durations in the Policy, but that employment durations are legal. There are, however, issues that surround these types of requirements, she said, and mentioned that there is further information on this available from HUD.

Overall, Paige Foster recommended changes to the Policy:

1. Change the residency and employment requirements to preferences
2. Do not base preferences on the basis of duration of residency
3. Consider use a percentage rather than a fixed number

Paige Foster then gave an example from Boston's Department of Neighborhood Development (DND) that provides a legal way to include a residency preference. The text of the DND policy states:

“Requirements from funders: Some funders may require modification or elimination of the resident preference policy as a condition of providing financial support for the project. Where DND determines that the financial viability of the project is a risk, DND will modify this policy to the least amount necessary to accommodate the requirements of the funders.”

The group agreed that this was good model language to use to ensure that the residency preference didn't decrease the flexibility of the funding.

Acknowledging that, as is shown by the fact that not all funders will allow a residency requirement/preference, there will be exceptions to this preference, Kathy McHugh raised another potential issue that posed a problem with the residency preference – the homeless population. The group agreed that the homeless should not be discriminated against due to their lack of ability to demonstrate City residency.

Paige Foster raised a final issue that ought to be considered by the group as an exception. She had read a case where a preference policy had been upheld in court, which involved people who had been forced to move out of their home in the City of question. The group agreed that, if someone has to leave the City of Charlottesville and move out into a surrounding county, that they should be considered a resident for a certain number of years after their move. Paige Foster said that the case law showed that this should continue for two years following their move.

Chris Murray asked whether the Fair Housing Act excluded the ability of projects to “anti-discriminate,” i.e., to show a bias towards a population (for example, the elderly). Paige Foster responded that she did not think that Fair Housing would have any effect upon housing for the elderly.

Repayment, Maintaining Affordability, Recapturing Funds

Kathy McHugh began the conversation by summarizing the findings of the research that Paige Foster had conducted related to this question. Most importantly, if the City provides money to an organization, it can create conditions upon that gift that would require developers to return the money if affordability was lost. This money would get returned to the City general fund, however, since there is no permanently funded CHF.

Frank Stoner asked whether it would be possible to create a permanent CHF.

There was discussion about the ability of Charlottesville to create a permanent fund of this type, with Kristin Szakos saying that it might be a Dillon's Rule question. Paige Foster responded that this would take more research, and that she could look into it and ask others who had more experience with budgetary law, since it would involve binding future Charlottesville legislatures. In response to Kristin Szakos' comment, Kathy McHugh mentioned that a designated housing fund had been a priority of Dave Norris' for some time, and that it did not appear that in all his attempts to make it happen that he ever made an effort to go to the General Assembly for enabling legislation. Because of this, she assumed that there was no need for approval from the General Assembly. In theory, therefore, this could be done in Charlottesville.

Kristin Szakos said that she thought this was a very good idea to pursue, and asked whether the group thought this idea should go to the full HAC before going in front of City Council.

There was a question asked about the funding procedure for CHF. Kathy McHugh responded that she completes an application on an annual basis under the Capital Improvement Program, and that there is no guarantee that funding will be awarded to CHF. As such the program is dependent upon annual funding decisions.

Frank Stoner asked about unused portions of this money, and whether it remains in the account or is returned to the general fund. Kristin Szakos responded that unused CHF monies remain in the CHF account.

Chris Murray asked for clarification on the process by which the amount of money allocated is escalated from year to year. Kathy McHugh responded that the amount of money she requests is based upon the HAC report that goes along with the City Council adopted 2025 goal for affordable housing (of 15% supported affordable units). The HAC report contains a table that lists the amount of money that would need to be allocated to the CHF annually in order to meet the 2025 goal. Kathy McHugh completes her allocation request using this table, but Council does not always fund 100% of the request.

Dan Rosensweig agreed with this last statement about not funding the request in its entirety, stating that he often has to defend the allocation to the Planning Commission. Kristin Szakos agreed that she often has to defend it to Council, reminding them that the 2025 goal was adopted by Council.

Dan Rosensweig asked about the mechanics of creating a permanent fund for housing. Kristin Szakos said that she thought that someone in the attorney's office would be better able to answer that question, and suggested that she set up a meeting with the attorney's office to discuss this possibility.

Melissa Thackston clarified to the group that there was actually a two-step process involved in creating a permanently funded housing fund. The first step of the process would be to create the fund itself – to officially set up an account that would not disappear even if there were no funds in it. The second step of the process was to fund the account in perpetuity – as a percentage of the annual budget, for example – so as to avoid having to apply for funds each year, and to guarantee that the fund was given a reliable amount of funding.

Kristin Szakos noted that distinction, and explained that she wanted to be sure that there were no unintended consequences of establishing this fund that the full HAC may see, that the subcommittee was not seeing.

Kathy McHugh brought up a point that Jim Tolbert had mentioned to her, when they had discussed the possibility of a permanently funded housing fund. His main concern was that if the fund is given permanent funding as a percentage of the budget, that it is tied to tax revenue. If property values were to fall drastically one year, the amount of funding would fall with it. If the funding mechanism is kept as an application process, then staff can apply for the amount designated in the HAC tables, regardless of the current tax revenue.

Melissa Thackston suggested that, since this process can be split into the steps as previously mentioned, that there could be a permanent *fund* established that still utilizes the CIP allocation process.

Kristin Szakos agreed that Jim Tolbert's point was a valid one, since she has seen problems with the City school's funding. The schools are automatically allocated 40% of the City's budget – when this amount is not sufficient to run the school system, Council is forced to borrow from other accounts.

Chris Murray mentioned that he thought that, if unused, the amount of money in the fund could be an easy target to a developer with the wrong projects. He worried that, if no projects came up for funding for a few years, that the fund could be targeted, which would have negative effect upon the goal of the CHF – to build *units*, not to build a *fund*. In response to this, Kristin Szakos said she didn't see this being a problem, for the larger the fund got, the more likely the City was to get bigger affordable projects, which she saw as a good thing.

There was discussion of how to go about asking Council to provide funding for this fund, once it is created. Dan Rosensweig suggested that, when Council is asked to create the permanent fund, that they also be asked to set conditions for the fund, including that the allocation be tied to the HAC table for achieving the 2025 goal. Kristin Szakos suggested that the allocation be determined on the basis of outcomes rather than process – Council ought to be asked annually to allocate enough money to meet the goal. Dan Rosensweig responded that the HAC tables are the closest thing to a scientific approach to allocate this amount, and asked whether it would be possible to have a permanent fund with an allocation indexed to these tables, rather than a percentage of the overall City budget.

Melissa Thackston mentioned that the group needed more information before proceeding. She wondered about the political feasibility of approaching Council with this type of request, and said she wanted to know if there were any other permanent funds of this type in existence in the City currently.

Kristin Szakos responded that she thought Council would be receptive to this request. She added that she wasn't sure what, if any, other permanent funds existed. To get more information on both of these items, she suggested that **she set up a meeting with members of the City Attorney's office and Finance department**. The group agreed that this was a good next step.

Kathy McHugh then redirected the group back to the topic at hand concerning repayment of funds to CHF.

Paige Foster stated that under §15.2-958, if a recipient voluntarily takes money from CHF, that they can be required to offer a percentage of the units constructed at affordable rents for a designated amount of time (i.e. 20% of units for a period of 10 years).

Kristin Szakos asked for clarification on whether these percentages and time frames could be determined by the locality giving the money, and Paige Foster confirmed this.

Dan Rosensweig asked whether this applied to rental units or just homeownership. Chris Murray added on to this question, asking whether the regulation applied only to new construction or to rehab work as well.

Paige Foster responded that the regulation applied to any “production” of units. Kristin Szakos added that, per Paige Foster’s chart, it would apply to new construction as well. She then asked Kathy McHugh whether this was the piece of code under which CHF provides money to AHIP.

Kathy McHugh responded that, typically, CHF funds have been given under 15.2-953. To trigger these requirements, the City would have to explicitly state that the money was being given/lent under 15.2-958 instead. She also pointed out that, under 15.2-953, it does not appear that for-profit entities can receive funds, unless they are building units specifically designated for residents over 60 years of age (senior housing).

Frank Stoner asked for clarification on which funding sources qualify under 15.2-958, and Paige Foster responded that any local funding sources (such as CHF) would qualify.

Kristin Szakos asked if this mean that the City would choose to give CHF funds to a private developer, under 15.2-958, and only require 10 years of guaranteed affordability? Or could the City require affordability in perpetuity?

Paige Foster responded that she was unsure about the legality of binding something in perpetuity.

Dan Rosensweig added that he thought that, often, perpetuity didn’t hold up in court. In his experience, it was more appropriate to ask for 90 years (which is often longer than the lifespan of a housing unit anyway).

Use of CHF Funds

The group then moved on to discuss appropriate use of CHF funds, and whether programmatic efforts could qualify for funding.

The conversation began with Kristin Szakos providing some background context. This issue had come up at City Council when a request had come to Council for funding for a “Training to Employment” program. This program would provide job training for low-income residents. The request was to use CHF funding to create this program. Council wasn’t sure whether it was appropriate to use funding from the housing fund to support programming, and so they asked the HAC to make a determination. The subcommittee now needs to discuss whether the use of CHF funds for programming is appropriate, and, if so, how this money is determined – whether it be a percentage of the CHF funds, or allocated as needed.

Kristin Szakos continued by reminding the group that the housing fund is allocated on the basis of what is needed to meet the 2025 goal of 15% supported affordable housing adopted by Council. This money is the amount that the HAC had determined was needed to meet that housing goal. Therefore, if any money will be allocated for programming (instead of bricks and sticks construction), that the amount of money given to CHF might need to be increased.

Frank Stoner asked about what types of activities fall under the category of activities related to construction. Would PHA’s down payment assistance program fall under programming or construction?

Kristin Szakos responded that, in her opinion, that program would be construction. The way she sees it, anything that is related to getting people into their homes would qualify as construction related.

Dan Rosensweig said that he thought that something like job training was important for the City to fund, but that he thought it should come from the general fund rather than CHF. He reiterated Kristin Szakos's point that the money allocated to CHF was determined by the HAC to be the amount of money needed to go into construction and rehabilitation of units to meet the 2025 housing goal. Any money, therefore, that is given to programmatic purposes would detract from the City's ability to meet this goal. To that end, he doesn't believe it would be appropriate to allocate any of the CHF money for programmatic purposes. He then continued to say that he could see a potential compromise using any additional funds that came into the CHF above the HAC recommended amounts.

Kathy McHugh then filled in some additional background, explaining that the request for the job training program had been made because the Section 3 program at NDS had no funding stream of its own. Staff had decided that it was necessary to do something innovative to try to find funding for job training, and therefore made the request for CHF money, knowing that the request would start this important conversation. She also mentioned that the funding requested was from an ADU payment, which was funding over and above the CIP contribution to CHF.

Kristin Szakos said that, thinking about Dan Rosensweig's comment above, that perhaps the HAC could have analysis done to track progress towards the 2025 goal. If this analysis showed that the City was on target or ahead of schedule towards reaching the 2025 goal that a compromise could be reached to use with CHF funds for programming.

Dan Rosensweig agreed with this idea, although stipulated that the City would have to continue to meet the funding goals outlined by the HAC tables.

Kristin Szakos said that she believed that, if programming was to be funded, that it ought to be for one-time initiatives rather than ongoing projects. This would allow additional CHF funds to be used when the City was on track with the housing goal, while allowing the City to keep the option of using all CHF funds for construction if, at a later year, the goal was not being reached. She then suggested that perhaps CHF could determine that 5% of its funds could be used for other activities, but that CHF request 5% more funding to cover these activities.

Questions arose about what types of programs would be allowed to receive funding, with Chris Murray asking whether the allocations would be limited to Section 3 projects, and Frank Stoner asking about the possibility of funding after hours day care programs in housing developments. Kathy McHugh responded that there were no specific requirements for the programmatic use of CHF funds. In response, Dan Rosensweig indicated that he had often thought of the types of programs that Frank Stoner mentioned, and considered applying for CHF funds for them, but had determined that he didn't think it was appropriate.

In response to Chris Murray's question about using these funds for Section 3 related purposes, Joy Johnson acknowledged a connection between these programs and housing construction, saying that there would be interest in programs that involved construction job training, so people from Charlottesville's low-income neighborhoods could get jobs working on the construction sites of all the new housing developments being built. With so many new projects (such as the Standard and the Flats at West Village) being constructed along West Main Street right now, it would be very good for the low-income neighborhoods if local residents could get construction jobs. Kristin Szakos agreed that these programs were important, but questioned whether they ought to be funded through CHF, or if there was a different source of funding that would be more appropriate – such as economic development. Joy Johnson responded that she thought both the housing fund and economic development ought to contribute to these types of programs, as they are contributing to the vitality of low-income neighborhoods.

The issue of proffers and ADU payments was then raised. Kristin Szakos mentioned that these payments are above what is annually allocated to the CHF, since the funds come from projects that apply for a special use permit or increased density allowance. She mentioned that perhaps, 10% of this funding ought to be used to fund training programs in construction. This would, therefore, keep all use of money in areas related to housing construction, even while supporting job training. This would eliminate the ability of programs such as day care facilities from to receive CHF funding.

The conversation about ADU payments continued with Dan Rosensweig explaining that these payments are meant to offset any negative impacts that a project will have on housing in the City. To that end, he thinks that these payments ought to be used for housing purposes, and not job training. There is nothing stopping developers from proffering additional money for job training programs, however, and he encouraged this to take place. He mentioned that the Planning Commission has a document that they give to developers of “Things that Make Us Happy” – this includes potential items that could be proffered. If the City thinks that construction job training is a priority, then it could be added to this proffer list. Any money given to these programs, however, in his opinion, ought to be proffered additionally to the ADU payment.

The group then discussed the additional proffer offered by the developers at the Standard. Kristin Szakos asked whether the \$50,000 they proffered to PHAR was being used specifically for job training, to which Joy Johnson responded that, since the donation was a one-time lump sum, that PHAR was not being tied to using it to fund anything specific. The original intention for the money was to fund a job training advisor for Westhaven, but since the money could only be counted on for one year of salary, PHAR decided not to fund a position that had no guarantee after the initial year. To that end, they are still trying to determine the best way to make use of the proffer funding. Dan Rosensweig said that he thought that this was a great example of what ought to be encouraged, since the developer paid their full ADU contribution to the CHF, but then proffered additional funds to improve the vitality of the neighborhood. Joy Johnson mentioned that they have been in talks with the developer to provide internships and jobs for local workers on the construction site as well. Kristin Szakos added that, due to the success of this set-up, that the General Contractor for the Standard has made a policy for the future to prefer local workers for all job sites.

The group then came to consensus that the use of all monies allocated from the City to CHF, using the HAC tables, would be restricted to construction-related projects and not used for programming.

The conversation continued to determine whether anything above that line, including ADU payments, could potentially be used for programmatic purposes.

Frank Stoner asked whether ADU monies and proffers go directly to the CHF, or whether they’re given to the general fund and allocated to CHF. Dan Rosensweig responded that money for ADU payments go directly to CHF, but that voluntary proffers can be structured in any way the developer would like. These voluntary proffers can be cash payments, units, or can take some other form.

Dan Rosensweig then asked for clarification on whether the additional proffer/ADU money was included in the HAC calculations used to allocate CHF funds for the 2025 goal. Melissa Thackston responded that this money was not included in the leverage formula – any proffer or ADU money that comes in is additional to the money that the HAC has determined is necessary to achieve the 15% goal.

The topic of the developments along West Main, and with the SIA, was raised, with Joy Johnson asking whether the City was able to predict future development and, by extension, proffer money, using these plans. Kristin Szakos explained that, since the land is all private property, the City can create plans, but can’t dictate development, and therefore can’t predict the amount of ADU and proffer contributions that can be expected. Frank Stoner added that what is happening right now along West Main Street is atypical – it is the result of a

lot of development that couldn't get financing together during the economic downturn. Therefore, we cannot expect the same level of ADU contribution in the future that has been seen this year.

Dan Rosensweig brought the group back to the topic at hand – whether this ADU money ought to be used solely for housing construction, or whether a portion of it could be designated for programmatic use.

Chris Murray suggested that, since land is an expensive, limited quantity in Charlottesville, that the money ought to be eligible to be used for land acquisition.

Dan Rosensweig suggested that the HAC draft a memo to send to the Planning Commission, suggesting that the Planning Commission add job training programs to the proffer guidelines document. To flesh this out further, Kristin Szakos suggested including Joy Johnson's idea of job readiness, child care, and getting people to employment, particularly in the construction field. Dan Rosensweig reminded the group that anything requested by the City has to be tied to impacts of a proposed development. It is easy to make a case for housing, but it can be more difficult to make a case for other types of programming in this respect. This connection, suggested Melissa Thackston, could be that these developments make construction jobs that aren't currently going to local residents, but could, if the locals had the appropriate skills and training. Dan Rosensweig expressed uncertainty that this type of impact connection fell under the purview of the Planning Commission. He then went on to explain that the Planning Commission cannot deny approval for a project on the basis of not receiving a proffer for something that is unrelated to the impacts of the project.

Kathy McHugh said that before this memo could be given to the Planning Commission, the full HAC would need to vote. Chris Murray suggested that she draft something and bring it to the next HAC meeting for the group to review and comment upon, and then vote on. Kathy McHugh asked whether the memo ought to include specific examples of types of acceptable programs, and Kristin Szakos indicated that she's like to see specific reference to job and job creation programs.

Frank Stoner then asked about the ability of developers to dictate specific allocations for voluntary proffer monies, to which Kristin Szakos responded that this can be done for voluntary proffers but not for ADU money. Frank Stoner remembered hearing about a request to have proffer money directed towards streetscape improvements that was denied. Kristin Szakos explained that in this case, the developer had asked for a portion of the required ADU payment to go to a specific neighborhood. Since this was the required ADU payment, it cannot be allocated by the developer. Any voluntary funds, however, can be allocated in any way the developer desires.

The group then discussed the extent of what falls under the title "unit creation." Melissa Thackston asked the group whether items such as site development, or a market study to determine unit feasibility, would be appropriate uses of CHF funding, if the funding is restricted only to construction activities. Chris Murray said that he thought that the money should go to an organization that does unit creation, and from there, the City shouldn't determine what it is used for. Dan Rosensweig agreed with this comment, stating that he believes that anything related to the process of building – anything that feeds the development process – is appropriate. This would mean site development and market studies would both qualify, for they are both part of the process of getting more units in the housing stock. Kristin Szakos agreed with this assessment as well, and mentioned that this would also be at the discretion of Council to some degree. If a developer submitted a request to do a market study with no intention of building housing, this request would likely be denied CHF funds. The group agreed on this point.

Wrap Up

The group then took a few minutes to collect final thoughts and come to consensus on the topics discussed during the meeting.

With respect to the residency preference, Kathy McHugh concluded that the group wanted to switch the current requirement to a preference. She asked the group what the final decision had been about the employment clause, to which Kristin Szakos responded that she would like this to stay in to allow for middle income workers (such as teachers and policemen) to be able to take advantage of the preference and move into the City if they've worked in the City. Kathy McHugh acknowledged this and indicated that employment would remain in the memo, also as a preference. She also stated that she would change the wording to clarify the recipient versus beneficiary confusion in the current memo. Melissa Thackston reminded the group of the three exceptions to the preference – (1) the homeless; (2) one who had lived in the city at some point in the previous two years; and (3) any funding requirements that would require no residency preferences. There was consensus that these exceptions were satisfactory, and that the above changes could be made to the policy memo.

The conversation then turned to the repayment of CHF funds if affordability is lost. Kathy McHugh told the group that currently, the memo says nothing about repayment of any kind – it just indicates that homeownership projects are to be affordable for 30 years and rental projects are to be affordable for the life of the City investment. Dan Rosensweig brought up the idea of splitting equity in some way between the City and the owner, suggesting that creative ways to approach repayment would be preferable. Kathy McHugh reminded the group that, if a policy surrounding repayment is to be included in the memo, that it will likely need a set of regulations (similar to the ADU Schedules) that oversee implementation.

Frank Stoner asked about the practicality of requiring a 30-year compliance period, given that many units will depreciate a great deal in that time period. Dan Rosensweig acknowledged this, but said that he still preferred to have the affordability requirement be long term. Since this is a preference, he said, the City can ask for anything – we just can't *require* things to the same extent. Chris Murray agreed with Dan Rosensweig, saying that we could include a preference for rehab over new construction as well, as long as it's not a requirement. He continued to say that there could be an expressed preference for maintenance of currently affordable units. Joy Johnson echoed this comment, saying that she is worried about Heartwood and Michie Drive since they are about to finish their affordability requirements – she would like to see a preference for projects that would keep currently affordable units in the system.

In response to Chris Murray's comment about preferring rehab over new construction, Kathy McHugh said that the new Comprehensive Plan includes language for funding housing rehabilitation. She said she could pull some of the language from the Comprehensive Plan for this policy letter. Kristin Szakos said that while she agreed that rehab and maintaining currently affordable units was important, that we needed to also encourage new construction, since we are still a long way off from the 15% goal.

Dan Rosensweig asked that Kathy McHugh rewrite this section of the policy letter to include maximum flexibility and include preferences for (1) long term affordability, and (2) recycling funds. Kathy McHugh said that she would proceed with these changes, and was eager to have a policy memo with explicit preferences that she could use as a basis for writing her staff reports.

The topic of CHF application deadlines then came up, with Frank Stoner asking whether the process was rolling or had a set deadline. Kathy McHugh explained that they had moved away from a deadline to allow for greater flexibility – when people come up with a project, they can speak with her immediately and begin the process of applying, rather than having to wait up to a year for the next application deadline. The problem with rolling applications, Frank Stoner explained, is that it becomes difficult to measure applications against

each other. If the policy has a preference for specific characteristics, it is easier to measure different projects against each other to choose which to fund. If they are being funded as they come in, it becomes impossible to do this.

Dan Rosensweig acknowledges this difficulty, and suggested that the preferences become more strictly adhered to if the money begins to run out, in any given year. Kathy McHugh added that the decision to move away from a set deadline had come when it appeared as though some applicants were submitting applications for projects just to get the funding. Dan Rosensweig said that he likes the rolling round much better – it makes the CHF a more useful source and allows projects to arise organically rather than be forced into existence around the time of the deadline. The group agreed that CHF funds should remain on a rolling system; but that the preferences would be more strictly adhered to should the funds begin to run out.

It was decided that Kathy McHugh would take the comments and suggestions from this meeting and the previous two subcommittee meetings, and re-draft the policy letter accordingly.

The meeting was adjourned.