

MINUTES OF THE COUNCIL OF THE TOWN OF SILVER CITY
SPECIAL COUNCIL MEETING
WORK SESSION
TOWN HALL ANNEX, 1203 N. HUDSON, SILVER CITY, NM
JUNE 25, 2007 – 3:00 P.M.

PRESENT: James R. Marshall, Mayor
Judy Ward, District 1
Thomas Nupp, District 2
Simon Wheaton-Smith, District 3
Steve May, District 4

ALSO PRESENT: Robert Scavron, Town Attorney
Ann Mackie, Town Clerk
Peter Russell, Community Development
Mike Eley, Planner

CALL TO ORDER / PLEDGE OF ALLEGIANCE - Mayor Marshall called the meeting to order at 3:03 p.m..

Mr. Mike Eley, Town Planner, began the presentation on the Workforce Housing Development Program and the Affordable Housing Program by introducing Ms. Erin Quinn, Senior Policy and Program Advisor for the Mortgage Finance Authority, and Mr. Brad Hill, Executive Director of the Foundation for Building. Mr. Eley advised the Council that the presentation would show that Workforce Housing and Affordable Housing are two very different and separate programs.

Ms. Erin Quinn advised the Council that the Mortgage Finance Authority (MFA) has been in place for over thirty years and was chartered by the New Mexico State Legislature to provide affordable housing financing around the State. She presented an overview of the Workforce Housing Development Program versus an Affordable Housing Program. She stated that Affordable Housing Programs' funding sources have income restrictions; funding is targeted to people earning from 80-120% of the median income for housing that is for sale, 50-80% of the median income for rental housing, and less than 50% of the median income for public housing. Ms. Quinn stated that Workforce Housing Programs tend to be based on a person's profession, usually the "essential" workforce in a community, such as: teachers, police officers, firefighters and other emergency responders, nurses and healthcare professionals, and active members of the military. She stated that Workforce Housing is a market demanded product and must be attractive, affordable and sustainable to the workers of the community.

Ms. Quinn advised that MFA facilitates relationships between local government, universities, school districts and other entities that recognize they have a workforce recruitment and retention problem that is largely rooted in the affordability or the availability of the housing market in the community. She offered that MFA would facilitate a relationship between the Town of Silver City and UniDev (MFA's Workforce Housing Master Developer) to develop a Workforce Housing Program in Silver City. UniDev is contracted through MFA to be the contractor on the project. According to Ms. Quinn, in a Workforce Housing Project the Town of Silver City would be obligated to provide the land for the project, but the land would be leased to the home buyer. The first phase in the project would be to conduct a feasibility study which would determine whether there is a need for Workforce Housing in the Town of Silver City. The study would analyze the market demand; survey the prospective and current employees to determine who would be interested in buying a home on leased land with a capped equity; and obtain the income of the whole household to determine what the targeted families can afford. The study would also evaluate the preliminary site planning, financing methods, and architectural renderings. The cost of the feasibility study would be approximately \$120,000. The Town's contribution to the funding of the study would be approximately \$40,000 and MFA would pay \$80,000. If the Town were to decide to continue with the project after the study is completed, the \$40,000 would be reimbursed. However, Ms. Quinn advised that if the Town were to decide not to continue with the project after the study was completed, the Town would not be reimbursed, and neither would the MFA.

Councilor May confirmed with Ms. Quinn that in a Workforce Housing Project the Town would provide the land, but still maintain ownership of the land. She advised that the Town would receive revenue from the lease of the land to the home buyer. Councilor May asked what the Town would pay for with regard to the infrastructure. Ms. Quinn stated that the Town would pay for the infrastructure up to the site only. The cost of the infrastructure on the actual site would be paid for by the developer and eventually those costs would be passed on to the home buyer. Mr. Eley stated that the property that is being reviewed for Workforce Housing already has the infrastructure in place. Mr. Peter Russell, Director of Community Development, advised the Council that the land being considered is the Town property on Brewer Hill at Kelly and Durango Streets. He stated that there are paved roads and water and sewer lines up to the site.

Mr. Eley stated that any other entities (the hospital, university, school district, Border Patrol, etc.) that would want to get involved with the Workforce Housing Project would also pay a portion of the \$40,000 for the feasibility study. Town Attorney, Mr. Robert Scavron, asked who would be the title holder of the property if there were six other entities involved. Mr. Eley confirmed that the Town would still hold the title to the land. Mr. Scavron questioned if the home buyer could buy the land from the Town. Ms. Quinn stated that if the objective of the Town of Silver City is to provide housing in perpetuity that will remain permanently affordable and available to the specifically designated targeted professionals, then the Town should maintain ownership of the land with a long term ground lease. This would keep the costs down for the initial home buyer and each subsequent buyer of each individual home. She said if the Town chose to sell the land then it would be affordable to the first generation of buyers only, and the Town would potentially lose that unit of their affordable housing stock if and when that home owner decided to sell their home and property. She commented that the structure of the Workforce Housing Development Program is for the Town to maintain a stock of Affordable Housing for its chosen targeted professionals by maintaining ownership of the land. She remarked that if the Town wanted to sell the land, then it would be best to develop housing with an Affordable Housing Program, not with Workforce Housing.

Councilor Wheaton-Smith confirmed with Ms. Quinn that the land would be leased, but asked for clarification on whether the home would be leased or purchased. Ms. Quinn stated that buyers can still get a thirty year fixed mortgage on leased land, down payment assistance, and enjoy all the other benefits of home ownership, such as taking the interest deduction off their taxes and earning equity. She commented that the home owner would not sell the home on the open market, but would sell it through a non-profit organization, termed as a 501(c)(3), that is created for the sole purpose of developing, managing and leasing the property in perpetuity. The home owner pays the lease of the land to the non-profit organization and then the funds are forwarded to the Town of Silver City. Mr. Scavron confirmed that the Town of Silver City would not become a land management company; that business would be handled by the local 501(c)(3). Ms. Quinn advised that it would be the Town's decision as to who would make up the Board of Directors on the 501(c)(3). She said it may consist of participants from any of the other entities that are involved in the project. She said there are guidelines to follow with a 501(c)(3), but the Town of Silver City would have veto power over the other entities involved on the Board because the Town is the land owner.

Mr. Scavron asked how many Workforce Housing Development Programs were in place. Ms. Quinn said there are currently seven entities (Eunice, Hobbs, Portales, Las Cruces, Clayton, Taos, and the NM Dept. of Corrections) participating in the program in New Mexico. She said the program has been in place in New Mexico for two years and their Master Developer, UniDev, has worked on Workforce Housing Projects since the 1980's for colleges and universities in California. Ms. Quinn remarked that Workforce Housing is best if there are at least 100 housing units in the program. Mr. Russell commented that local realtors have told him that there is a gap in the availability of housing stock in Silver City for housing priced at \$100,000 to \$200,000.

Councilor Ward questioned whether prospective buyers would reject the housing based on the location of the parcel of land that the Town has available for development. Ms. Quinn stated that focus groups could be

formed to make that determination after the Town has reviewed the feasibility study and has decided to move forward with the project.

Councilor Nupp directed three questions to Ms. Quinn: 1) what happens if the home owner's employer goes out of business, 2) what happens when a home owner retires, and 3) can the equity of a deceased home owner be willed to their next of kin? Ms. Quinn advised that the Town and the 501(c)(3) would probably consider it a hardship for the home owner if their employer went out of business; the MFA would not be involved in that decision process. On the second question, she responded by stating that the Town and the 501(c)(3) would determine at the beginning of the project whether retired persons can remain in the Workforce Housing units. With regard to the third question on whether the equity could be willed to the next of kin, she advised that the equity of the home could be willed.

Mayor Marshall commented that the parcel of land on Brewer Hill was already considered for Affordable Housing in meetings over a year ago and asked what action has been taken since that meeting. Mr. Eley stated that MFA has gone to HUD to request funds for planning; they have a contract with Mr. Brad Hill, Executive Director of the Foundation for Building, if the Town decides to go with Affordable Housing. If the Town decides to go with Workforce Housing then Mr. Hill would still assist the Town with the training of the Town's staff so they could assist with the development of the project.

Mr. Brad Hill advised that the Foundation of Building is a 501(c)(3) non-profit organization that was started by the Home Builder's Association of New Mexico about eight years ago, but they are a totally separate entity. He said the Foundation of Building and the Home Builder's Association have a common belief that home ownership is an economical benefit to households. He commented that they develop Affordable Housing Projects on a much smaller scale (5 to 25 housing units) in comparison to UniDev's Workforce Housing Developments (100 housing units or more). He stated the Affordable Housing Act was passed by a Constitutional Amendment approved by the voters of New Mexico; it exempts Affordable Housing from any type of donation clause so local communities can donate land, money and other resources. Mr. Hill commented that their attainable housing is developed for households at or below 80% of the median income. Councilor May asked Mr. Hill what the price range would be for the houses. Mr. Hill stated that the homes in their Affordable Housing Project in Roswell (with donated land) range from \$110,000 to \$115,000, but there is also a principal reduction product so they anticipate households to qualify for mortgages around \$85,000.

Councilor Ward asked Mr. Hill if he was working on any Affordable Housing Projects in Deming or Lordsburg. She stated that many Border Patrol agents work in those towns, but live in Silver City because of the shortages of housing in Deming and Lordsburg. Mr. Hill stated that the Border Patrol personnel will probably have household incomes that exceed the 80% or below median income level so they would probably not qualify for the Affordable Housing units.

With regard to the specific project in Silver City at the Brewer Hill location, Mr. Hill suggested that the Town make a policy decision on whether to designate the land for Workforce Housing or Affordable Housing. He stated that the feasibility analysis study would determine what type of housing stock is needed in the community. Mr. Peter Russell commented that it is undetermined at this time whether or not it is feasible to develop the Brewer Hill site because of the topography and geology of the area. Mr. Hill stated that the Foundation for Building is the administering entity for Build Green New Mexico so sustainability is a very important part of what they do, therefore, they could design the Brewer Hill Project to be more creative and unique by clustering the home sites, rather than having typical city blocks, in order to take advantage of the geology in the area.

Mr. Russell asked Ms. Quinn if the Brewer Hill site could have a combination of Workforce Housing and Affordable Housing. She stated that the Town needs to determine whether or not the land can be developed because it is not feasible to have Workforce Housing with less than 100 housing units. Also, funds

(approximately \$120,000) should not be spent on a feasibility analysis study until that determination has been made. She stated that if the Town has another property that is more developable, then Workforce Housing and Affordable Housing would be very compatible and complement one another in the same development.

Councilor Nupp asked whether the Affordable Housing could be built in compliance with the minimum standards of LEED (Leadership in Energy and Environmental Design Green Building Rating System). Mr. Hill advised that there is no entity in New Mexico that can certify LEED at this time, but the Foundation for Building is in the process of becoming a LEED's certifying entity. Currently they are the entity for certifying Build Green New Mexico which has comparable energy standards to LEED. Mr. Hill stated that in the future the Foundation of Building should be able to build Affordable Housing to the silver level of the LEED's standard. Councilor Nupp commented that the Affordable Housing units need to be energy efficient so the home owners can afford to pay their energy bills. Mr. Hill stated that they are committed to build and certify every affordable unit to the bronze level of energy efficiency with Build Green New Mexico. He commented that the State of New Mexico is going through an entire code revision and the State will be adopting the 2007 energy code which is going to elevate all new construction to a higher standard; the Foundation for Building will build above that standard. He also confirmed that they would meet all State and Local code standards for building.

Mayor Marshall stated that the Town must do a property site assessment first. Mr. Hill stated that his contract does not have funding to hire an engineer to assess the property at Brewer Hill, but if the Town makes a commitment to donate the land to the Foundation for Building then they will invest in the engineering process and start moving forward with the development. The Mayor stated that he wants the Town staff to assess the property, then report back to the Council on how many houses can be built on the site and what the costs would be. He stated that the Council cannot commit to spending \$40,000 of the Town's funds and \$80,000 of MFA's funds on a feasibility analysis study until we know if the property is suitable for development. Mr. Mike Eley commented that ten years ago a company from Albuquerque conducted a study of just the terrain on the Brewer Hill site and determined that eight city blocks with sixteen lots per block were suitable for building. Mr. Eley recommended that the Town adopt a general ordinance that sets forth the desire of the Town to have an Affordable Housing Project. If feasible, then the Town could adopt another ordinance between the Town and the Foundation for Building to donate property for the Affordable Housing Project. According to Mr. Eley, the ordinance would allow Mr. Hill to resource funding for the engineering costs to assess the land. Mr. Russell suggested an ordinance that would not specify Affordable Housing so Workforce Housing could also be an option. Mayor Marshall stated that the Council would be open to reviewing this type of ordinance. Mr. Russell said he would make a presentation to the Council at a later date.

ADJOURNMENT - There being no further discussion, Mayor Marshall entertained a motion to adjourn which was seconded by Councilor Wheaton-Smith. All were in favor and the motion passed. The Special Meeting adjourned at 5:00 p.m..

James R. Marshall, Mayor

Attest:

Ann L. Mackie, Town Clerk