

MINUTES

1. CALL TO ORDER

Mayor Nabours called the Special Meeting of May 24, 2016, to order at 4:00 p.m.

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the City Council and to the general public that, at this regular meeting, the City Council may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. ROLL CALL

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT

ABSENT

MAYOR NABOURS
VICE MAYOR BAROTZ
COUNCILMEMBER BREWSTER
COUNCILMEMBER EVANS
COUNCILMEMBER ORAVITS
COUNCILMEMBER OVERTON
COUNCILMEMBER PUTZOVA

Others present: City Manager Josh Copley and Senior Assistant City Attorney Kevin Fincel.

3. PLEDGE OF ALLEGIANCE AND MISSION STATEMENT

The City Council and audience recited the Pledge of Allegiance.

MISSION STATEMENT

The mission of the City of Flagstaff is to protect and enhance the quality of life of its citizens.

4. Consideration and Possible Action re Suspension of the Rules

Mayor Nabours stated that he is glad to see that there are a number of people present to discuss the issue. He explained that the Council is looking to try and understand why housing is so expensive and possible solutions.

Moved By Mayor Jerry Nabours, **seconded by** Councilmember Karla Brewster to suspend the Rules of Procedure and extend the public speaking limit from three minutes to five minutes.

Vote: 7 - 0 - Unanimously

5. Cost of Housing Comprehensive Discussion

Planning Director Dan Folke pointed out a few maps on the wall that show vacant parcels one acre or larger and current availability of water and sewer services.

Community Investment Director David McIntire provided PowerPoint presentation that covered the following:

COST OF HOUSING IN FLAGSTAFF, ARIZONA
ECONOMICS OF HOUSING COSTS
NEXUS STUDY
CURRENT MARKET STATISTICS
SUPPLY AND DEMAND CHART
ECONOMIC DEVELOPMENT DYNAMICS

Real Estate Manager Charity Lee continued the presentation.

MARKET VALUE
MARKET PRICE
FORCES AFFECTING VALUE (PEGS)
DATA FROM NOTHERN ARIZONA MULTIPLE LISTINGS

Mr. Folke continued the presentation.

SINGLE FAMILY FEE COMPARISON
MULTI-FAMILY FEE COMPARISON

Councilmember Brewster asked how the average U.S. fee is calculated. Building Official, Mike Scheu explained that the City receives a data summary two times per year that shows the national average cost of housing throughout the United States. Mayor Nabours asked if the information is broken out by the size of the city to which Mr. Scheu replied no. Councilmember Oravits as if there is a median average available. Mr. Scheu stated that the data summary only provides the national average.

Mr. Folke stated that there are concept and site plan fees that are used to cover the cost to review the site plan to make sure they are compliant with City standards. For multi-family of four units or more there is an additional cost. For multi-family and commercial projects there is a Development Engineering fee; once the site plan is approved there is further review to examine the public improvements to make sure they comply with the City development and design standards.

Mayor Nabours asked if the utility fees are to get a permit and tie into the system. Utilities Director Brad Hill stated that the capacity fees for sewer and water are charged on a per home basis for single family homes and a per unit basis for multi-family. The intent of those fees is to pay for growth related projects and buying into the existing capacity of the system.

Mr. Folke added that the City also collects fire and police impact fees to maintain the level of service based on the increased demands.

Mr. Copley stated that staff is available for any questions the Council might have. He stated that building fees go into the general fund and are not tied back to a particular service. Out of the general fund the City will be providing two additional positions, a Building Inspector and a Fire Inspector. It is important to note that the utility fund is an enterprise fund and it is a cost of what it takes to provide that service.

At this time the Council engaged in a dialogue with the following individuals:

- Al White
- Devonna McLaughlin
- Rick Lopez
- David Moore
- Walter Crutchfield
- John Rich
- John Stigmon
- Jeff Knorr
- Brian Rhoton
- Mike Braken
- Dani Lawrence
- Deborah Shepard
- Judy Louks
- Don Colegrove
- Stuart McDaniel
- David Maniatis

A break was held from 5:50 p.m. through 6:03 p.m.

The following comments and suggestions were made:

- The cost of housing is based more on the market versus the cost to the developers.
- Any savings realized by the developers through changes in policy should ultimately benefit the end user.
- The down payment to purchase a home is a big barrier for most people; if they are paying \$1400-\$1500 per month in rent it is hard to save for that down payment.
- Look locally and invest in and expand programs that work such as the City's employee housing assistance program for police officers and dispatch personnel. The program should be expanded to help other employees and to show other local employers the benefit of employee assisted housing.
- Look at the City's land that is designated for affordable housing and develop the land in an expedient manner to create additional units.
- The City cannot require affordable housing development and incentives only go so far. The suggestion is that the City pay for it through a local bond to fund affordable housing and the community can make sure that the funding and assistance goes to the market it should.

- The cost of development is higher because of the environment and land elements.
- If there is not infrastructure nearby the cost to develop skyrockets.
- There is not enough supply for the demand.
- There are tax credits for developers but the state wants most of the tax credit dollars spent in Maricopa County.
- It takes so long for a developer to go through the zoning/permitting process and the longer it takes the more costly it becomes.
- The time value of money is something that is not taken into account when projects are first introduced.
- It is time for the community to do something about this, bonds have been passed for an auto mall, open space and the sawmill, it is time for affordable housing.
- Students take up a vast majority of the available rentals and many purchases are being made by parents of students looking for housing.
- There is growing interest in the tiny home idea; there should be options available that are cost effective, zoned appropriately and safe for a person who is interested in this lifestyle.
- There are challenges with the mobile aspect of tiny homes and work needs to be done to find a way to better accommodate them.
- The longer a development takes, the more it costs. Developers are carrying the costs and have to recapture it on the back end with the sales price.
- Student housing is needed and necessary in Flagstaff to take some pressure off the single family home availability. More product can affect affordability.
- Fees that are consistent, clear and fixed will help developers better estimate costs and sale prices more accurately.
- Developers need to focus on the needs of the community; the question becomes how to attract these kinds of developers.
- The City needs to think about workforce housing and work to attract developers that can fulfill that need.
- From a financing perspective, there is no shortage of borrowers, it is finding a home within their budget that is very challenging. Financing has changed and there are more restrictions in place however there are products for all levels of borrowers, there is just not enough housing supply within their range.
- There are very few investors/lenders who will accommodate ground leases.
- ECONA has been enlisted by the large employers in Flagstaff to look at housing and develop some recommended solutions. They are in the beginning phases and hope to have recommendations soon.
- Many high paid employees are struggling to purchase a home for a myriad of reasons.
- In most cases, it is impossible to start with a land value of less than 30% and get someone a home for under \$275,000.
- Land and foundation are the biggest expenses for a home and from a building standpoint, material costs are higher in Flagstaff.
- Higher home costs equal higher rent costs.
- It is debatable if cost savings at the developer level will be passed on to the end user but additional costs will certainly be passed on.
- Mobile home and manufactured home zoning needs to be addressed. A manufactured home has to be permanently affixed and mobile homes, including tiny homes, are a totally different issue and the zoning code has not caught up to that. It takes a five acre parcel to do a manufactured home development and that is not conducive for infill.
- Municipalities need to get behind the tiny home concept. Mobile homes are some of the most affordable homes, they are not for everyone but we are talking about available options. Some of the mobile home parks in Flagstaff are not in the greatest of conditions but they are not being revitalized because they would have to pull two out to bring one in under the current standards. If infill is the desire maybe more incentives

could help achieve this.

- The City has some land for affordable housing that hasn't been used; deed restrict them, it is still difficult to get lending on something with a land lease so that may be an option to turn it over to the private market.
- Infrastructure costs were about 100% cheaper in Prescott mostly due to rock dig.
- Certain changes in the code and LID requirements are needed as there is about a 75-80% increase in cost due to regulation.
- Flagstaff's process is much longer compared to other municipalities with preliminary plats taking at least a year in Flagstaff.
- Freight is driving material prices higher although, often times local suppliers can come close to meeting the same price points.
- Homeownership is at a 50 year low right now even with the best interest rates in some time. Locally, the effect of a 20% decrease in inventory is alarming and it is forcing the average price of a home drastically increase.
- More student housing is needed to help ease the burden of availability for non-students.
- Co-Housing is an emerging idea with smaller houses with less distance between dwellings. It creates a community with shared open space and small private homes.
- Offsite requirements are keeping a 23 unit mobile home park from moving forward due to the cost per unit being over \$300,000.
- The Council needs to look at how the community supports the greater economy, it is not all about tourism.
- It is important to create an environment that has opportunity for low level and high level earners.
- Many workers commute from neighboring communities because they cannot afford to live where they work.
- Providing infrastructure will provide housing. The City needs to invest in the transportation infrastructure.
- Student housing is critical and will open more opportunity for workforce housing.
- The City needs to lower the cost of infrastructure or make it available as an impact fee.
- Requiring a developer with more than 50 units to find its own water supply and drill another well is an incredible barrier.
- The City needs to get more land by annexing, having a larger supply of land available will bring the costs down.

Councilmember Evans stated that she feels that there is more to the conversation. She does not feel that \$250,000 is an accurate representation of affordable for Flagstaff. She would like to continue the conversation and would like to hear from Habitat for Humanity, the Flagstaff Housing Authority and someone to talk about the Affordable Housing Plan that was put together before the economic downturn. Additionally, there was no one here from NAU and they play a big part in the student housing discussion. There was reference to doctors, nurses, and public safety workers but there was little heard about the service workers, the janitors, the cooks and waitresses; if the upper service professionals cannot afford housing then the lower levels are having a severe problem. Homelessness was not discussed or the hotels being used for housing. The broader economy should be discussed and how it impacts housing. These other components are needed to get the full picture.

Councilmember Putzova stated that she would like to get an update on the employer roundtable that has been formed to discuss workforce housing. Until the profit is taken out of housing there will not be affordable housing for the work force. The City needs to consider partnering with other employers to find solutions and it needs to find a way to finance workforce housing and develop ways to keep it permanently affordable. Additionally, there needs to be a conversation about rent as many people cannot sustain the rental rates in

Flagstaff.

Mr. Copley stated that the City has had the initial meeting with local employers and they all agreed that there are problems and preliminarily discussed ideas. They have brought ECONA to the table and they are working with the group to start developing workable solutions.

Councilmember Brewster stated that she feels that the discussion today is a good start; it allowed people in the field that are affected by the issues talk about their challenges and possible solutions. The conversation needs to continue and she feels that the solution will be a collaborative effort throughout the community.

Councilmember Oravits requested information on the state legislation regarding the mobile home pull out. He would also like some information from Utilities on the water meter requirement for multi-family units of four or less and a comparison to a single meter. He also asked for information on how much private land acreage is available that is undeveloped. Lastly, he requested clarification of the residency requirement in the portion of the code related to Accessory Dwelling Units.

Councilmember Evans stated that the mobile home pull out legislation is related to a health and safety issue. In Phoenix there was a fire at a mobile home park and emergency vehicles were not able to get in between the units; this prompted a state law that requires so much space between units to allow for emergency vehicle access. That is the legislation that staff will want to look for in regards to Councilmember Oravits request.

Council agreed that a future work session is needed to further discuss the issue. Council will provide the City Manager with issues that they would like to see further discussed.

6. INFORMATIONAL ITEMS AND REPORTS FROM COUNCIL AND STAFF, FUTURE AGENDA ITEM REQUESTS

None

7. Adjournment

The Special Meeting of the Flagstaff City Council held May 24, 2016, adjourned at 8:03 p.m.

MAYOR

ATTEST:

CITY CLERK

CERTIFICATION

STATE OF ARIZONA)
) ss.
Coconino County)

I, ELIZABETH A. BURKE, do hereby certify that I am the City Clerk of the City of Flagstaff, County of Coconino, State of Arizona, and that the above Minutes are a true and correct summary of the Meeting of the Council of the City of Flagstaff held on May 24, 2016. I further certify that the Meeting was duly called and held and that a quorum was present.

DATED this 16th day of August, 2016.

CITY CLERK