

MEMORANDUM

TO: Mayor Ruzzin and Members of City Council

FROM: Frank Bruno, City Manager
Stephanie Grainger, Deputy City Manager
John Pollak, Co-Director – Housing and Human Services

DATE: February 27, 2007

SUBJECT: Study Session Materials

PURPOSE: On February 27, 2007, City Council will have a study session with Boulder Housing Partners (BHP). The primary topic: potential actions the city can implement that will enhance BHP's ability to address Council goals.

FISCAL IMPACT:

The City of Boulder (COB) has provided financial support to BHP since its inception in 1970. The form and level of support has fluctuated over time and has included subsidies to support housing development and operations. In 1999 there was mutual agreement between the city and Boulder Housing Partners that BHP would operate as a more independent entity. The city agreed to continue providing support in recognition of BHP's primary role in addressing Council's affordable housing priorities (see updated MOU, Attachment A). Subsequent to this transition, the level of city financial support to BHP has declined significantly, partially as a result of the city budget cuts that were initiated in 2001. Future fiscal impacts will depend on the degree to which city support is modified.

BACKGROUND:

On November 8, 2006 BHP held a dinner with City Council. During the event, some of the challenges that the organization faces were described. Consistent with past practice, the BHP Commissioners have continued a commitment to serve many people in the community who have extremely-low and very-low income, including frail elderly and/or people with disabilities. This commitment results in revenue reduction (less rental income) to the organization.

The following is a profile of the housing units and the people served by BHP:

- 944 affordable dwelling units
- 650 rental vouchers
- 979 families
- 1,111 households with very low income
- 336 elderly
- 279 people w/disabilities

The challenges of serving this population have intensified due to both dramatically reduced federal, state and local resources and increasing operational costs. The costs of development and acquisition of housing by BHP have also increased dramatically. BHP requested City Council consideration of several actions to address these efforts. At the dinner, City Council members requested a Study Session in order to provide an opportunity for more in-depth dialogue.

POTENTIAL STUDY SESSION DISCUSSION ITEMS

A. Request: Increased financial support to BHP for operations. The specific request: increase the general operating subsidy from \$50,000 (2007) to \$150,000 in 2008; consider waiver of the city portion of property taxes (estimate: \$12,000 annually).

Issues to consider:

- Under the current fiscally constrained scenario, decisions regarding the 2008 budget will involve trade-offs for the city, the Department of Housing and Human Services and/or of the Housing Division. These will be considered based on guidance from City Council and through implementation of the city's business plan process.
- The public housing owned and operated by BHP provides a housing option for the most low income members of our community and if BHP can't afford to continue to operate public housing, the housing will still be available but not with the deep subsidy it currently represents and so affordable to higher income people.
- Clarity will be important regarding the potential for setting precedent. Can the rationale be clearly articulated for a unique level of support?
- Rather than waiving taxes, there could be consideration for providing a deeper level of subsidy.

B. Request: Increased level of subsidy for the acquisition or development of housing that addresses the city's goals. Current subsidies generally range from \$30,000 - \$60,000 per dwelling unit for acquisition or development. In the current market, the total subsidy level required is often in the range of \$60,000 - \$120,000, depending on the unit type and the income of households to be served. One potential form of subsidy: the city could consider the waiver of its portion of construction sales and use tax (estimated annual average: \$20,000 - \$30,000).

Issues to consider:

- Regarding the waiver of construction taxes, there could be consideration for providing a deeper level of subsidy.
- As the level of subsidy increases for BHP and other housing providers, the pace of progress toward the city's affordable housing goal will be delayed.

Qualitative versus quantitative issues have to be weighed in the context of who the city wants to serve.

- The approach to subsidy should be equitable for all housing providers and should be based on a variety of factors including housing type, population served and capacity to leverage resources. The city should continue work with BHP and other non-profits in order to explore additional opportunities for leverage and to assure that overall subsidy results in financially feasible housing for the long term.

C. Request: Explore a modified approach to development. The current process, from concept planning through certificate of occupancy, takes a considerable amount of time. This adds to the cost of housing development. Is there potential to expedite the process, especially if extraordinary community benefit can be demonstrated? Could Boulder Mobile Manor be used as a pilot project to test this idea?

Issues to consider:

- It will be important to establish clear criteria for “fast tracking” of projects. Staff could draft criteria for projects that merit expedited review. The criteria could be reviewed through Council’s Community Sustainability Committees. Examples of criteria: Social – At least double the affordable housing benefit that would be expected from Inclusionary Zoning; Economic – at least 70% of units provide housing for the local work force; Environmental – exceeds green points energy savings by x%. Projects that adequately address all three areas – social, economic and environmental – could move faster.
- It will be important to be clear about the meaning of “fast track”. It should not be about sacrificing quality or community standards. There are other communities in the U.S. (including Colorado) that have developed “fast track” models that can be evaluated.
- Unless additional resources are provided to Planning and Development Services, there is the potential that expediting a high priority project will result in slower review for others. In part, the timeline for review and approval relies on the quality of the materials that are submitted. For development or redevelopment that addresses high priority Council goals, the city could provide subsidy to BHP toward hiring of professional services that would result in expedited review.
- There may be outcomes from a pilot project that have applicability to other developments. For example, a revised partnership model between the city and the applicant that includes more up-front time spent by city staff with project architects and engineers might save time and resources for all parties in the long run.

COUNCIL FILTER IMPACTS:

- **Economic:** BHP provides housing for the local work force. This allows for improvement in the attraction and retention of employees.
- **Environmental:** The provision of housing for local workers results in reduced commuting and traffic and, therefore, improved air quality.
- **Social:** BHP provides a substantial amount of housing for people with special needs including frail elderly and people with physical, mental or developmental disabilities.

ATTACHMENTS:

Attachment A: First Amended Memorandum of Understanding: Housing Authority of the City of

Boulder and City of Boulder

Attachment B: Boulder Mobile Manor description

Attachment C: City Council Housing Goal: Current Status Report, February 27, 2007

ATTACHMENT A

FIRST AMENDED MEMORANDUM OF UNDERSTANDING

This First Amended Memorandum of Understanding (“MOU”) is entered into by and between the Housing Authority of the City of Boulder, Colorado (“Housing Authority”) and the City of Boulder (“City”). Housing Authority and City agree as follows.

RECITALS

WHEREAS, the Housing Authority and City entered into a Cooperation Agreement on January 18, 1967 and December 20, 1978 (hereinafter called “Agreement”), and

WHEREAS, the terms of that Agreement are prescribed by the Office of Management and Budget per the provisions of the U.S. Housing Act of 1937 and not easily amendable, and

WHEREAS, the Housing Authority and City entered in to a Memorandum of Understanding (“1999 MOU”) on February 18, 1999 regarding certain administrative aspects of their relationship, and

WHEREAS, the 1999 MOU called for the Housing Authority and City to review and evaluate its terms and conduct a major evaluation of the 1999 MOU before the end of three years from the date of its execution, and

WHEREAS, the Housing Authority and City have conducted that major evaluation and wish to amend the terms of the 1999 MOU as provided in this MOU, and

WHEREAS, the parties continue to have a unique, complementary, and supportive relationship to each other which enables them to influence each other and to implement the City’s housing goals, particularly in respect to housing for low-income people, and

WHEREAS, the City and the Housing Authority work in collaboration: The City articulates the housing needs of the community, including the Housing Authority’s targeted population, and develops tactics, strategies and policies to address those needs, and the Housing Authority initiates and manages programs which implement the housing goals of the City and of itself, and

WHEREAS, the Housing Authority fulfills part of the community’s social responsibility to provide housing for diverse populations, and the City provides legal services, administrative services, participation on the Housing Authority Board of Commissioners by a City Council member, and funding of particular Housing Authority projects on a case-by-case basis, and

WHEREAS, the Housing Authority is in part responsible for implementing City policy to:

- X Preserve the diversity of the community,
- X Achieve a portion of the City’s affordable housing goal (currently 10%), and
- X Build and acquire units consistent with current City housing strategies, and

WHEREAS, the Housing Authority currently provides technical assistance to the City as needed regarding:

- X The impact of City policies on housing development,
- X Property management,
- X Land management,
- X Real estate acquisition,
- X The community need for housing,
- X Building capacity in other non-profit housing organizations, and
- X Participating in discussions about housing policy, and

WHEREAS, the parties agree that to preserve this relationship, it is critical to maintain linkages and lines of communication between the City and the Housing Authority. As independent agencies, the Housing Authority and the City need to work together to develop and maintain policies that achieve the community's housing goals. This includes working together to support the Housing Authority's long term viability, and

WHEREAS, the City and the Housing Authority share the mutual goal of assuring the future viability of the Housing Authority and its programs. A key part of this goal must include preserving housing affordability in perpetuity. The City of Boulder must be able to rely on the Housing Authority's commitment into the future to provide housing to very low-income people. To that end, the City and the Housing Authority must institutionalize their relationship on a permanent basis.

AGREEMENT

1. Whenever used in this MOU the term "Director" shall refer to the Executive Director of the Housing Authority and/or the Assistant Director of Housing for the Department of Housing and Human Services, depending on the context.

2. The City and Housing Authority shall provide opportunities for regular and continuous communication between one another to ensure that they are working in concert with each other and understand each other's programmatic and financial issues. This will be accomplished as follows:

a. The Mayor will continue to appoint a City Council member to serve as a regular member of the Housing Authority Board of Commissioners as a liaison between the City Council and the Housing Authority Commissioners.

b. The Director of the Department of HHS, or his or her representative, will endeavor to attend four (4) meetings of the Board of Commissioners per year.

c. The Director of HHS and the Chair of the Housing Authority will meet once annually to review the work of the City and the Housing Authority in the past year and to discuss future goals.

d. The Directors of both organizations will meet regularly, and at a minimum, once per month.

e. Except for grant programs for which the Housing Authority is an applicant, Housing Authority staff shall participate in goal-setting efforts related to housing by the City (HHS), and City staff shall participate in goal-setting efforts by the Housing Authority, including, without limitation, two-year work plans and funding priorities.

f. Housing Authority staff, commissioners, and their designated representatives shall participate on City of Boulder special committees or task forces related to housing.

3. In the past, a single Director was shared by both parties. Both parties agree, from and after the date of this MOU, to each have a separate Director.

a. As long as there are two Directors, the City endeavors to make an annual contribution of funds to the Housing Authority in the amount of \$18,000 in 1999, increasing annually in accordance with the consumer price index (all items, for the Denver-Boulder area), and subject to appropriation, to support the Authority's new expense in funding a Director position.

b. The parties shall assist each other, in an advisory capacity, in the process for the selection of the Directors.

4. Subject to the appropriation of sufficient funds by the City Council, the City agrees to continue to provide to the Housing Authority certain administrative, maintenance, and other services that it has provided historically in order to assist in maintaining the long-term viability of the Housing Authority, and to successfully pursue the City's affordable housing goals. The scope of these services may be changed by the parties from time to time through a written amendment to this MOU. The scope of services is attached as Exhibit "A" to this MOU. In order to assist in maintaining the long-term viability of the Housing Authority, unless otherwise provided on Exhibit "A," the City agrees not to allocate to the Housing Authority costs (also known as "cost allocation") of the City Departments that serve the Housing Authority.

5. In order to assist in maintaining the long-term viability of the Housing Authority, the City acknowledges and supports the necessity that the Housing Authority develop and/or acquire mixed income properties, including, without limitation, market rate units. Housing Authority acknowledges and supports the use of competitive bidding and proposal systems by the City for mixed income and market rate projects in order to assure that the highest value possible is obtained by the City in the development of such units.

6. The Housing Authority and City agree to review of the terms of this MOU at least once during every three (3) year term to determine if it is working to the satisfaction of both parties. This agreement shall be automatically renewed for an additional three (3) years unless either party gives written notice of termination to the other party at least six (6) months before expiration of the three (3) year term. Either party may amend or terminate the services described in this Agreement in Exhibit A for any reason upon ninety (90) days' notice to the other party.

7. Nothing in this Memorandum of Understanding shall be deemed to create or affirm a partnership or joint venture between the City and the Housing Authority. The City and the Housing Authority shall continue to be separate and independent entities governed, in the instance of the City, by its City Council in accordance with its charter, ordinances, Article XX of the Colorado Constitution, and other applicable laws, and, in the instance of the Housing Authority, by its Board of Commissioners in accordance with its bylaws, Article 4 of Title 29 of the Colorado Revised Statutes, and other applicable laws. Housing Authority employees are not

employees of the City. The City does not negotiate with the Boulder Municipal Employees Association (“BMEA”) on behalf of the Housing Authority. However, traditionally the Housing Authority has applied the terms and conditions of employment in the BMEA contract negotiated between the City and BMEA to its non-supervisory employees. The Housing Authority will continue its practice of reviewing the contract that is negotiated between the City and BMEA to consider adopting the terms and conditions for its non-supervisory employees.

IN WITNESS WHEREOF, the City and the Housing Authority have respectively caused this Memorandum of Understanding to be duly executed as of the ____day of _____ 2005.

CITY OF BOULDER, a Colorado
municipal corporation

By: _____
Mayor

ATTEST:

City Clerk on behalf of the
Director of Finance and Record

HOUSING AUTHORITY of the
City of Boulder

By: _____

Chair of the Board of
Commissioners

EXHIBIT A
CITY SERVICES

CITY ATTORNEY	No Charge
The City Attorney shall continue to serve as General Counsel to the Housing Authority.	
HUMAN RESOURCES	No charge for the service, unless specified below.
The Human Resources Department shall continue to serve as the HR department for the Housing Authority. Services anticipated, but not limited to, include:	
Participation in health, dental, life and other insurance programs	Reimbursed by BHP at actual cost.
Wellness Program including Wellness Pass	Reimbursed by BHP at actual cost.
<i>Employee Assistance Program</i>	Reimbursed by BHP at actual cost.
Workers Compensation Insurance and Worker's Comp procedures and medical support	Reimbursed by BHP at actual cost.
Health screenings	
(part of Workers Comp)	No Charge
Eligibility for credit union services	No Charge
Eco Passes	
(part of Workers Comp)	No Charge
Hiring Process	No Charge
Policies and Procedures	No Charge
Personnel System	No Charge
Training and Development Programs	No Charge
Administration of PERA	No Charge
Vacation/Sick Leave Reporting	
(included in "Participation in ... above)	No Charge
Right to apply for Internal Positions	No Charge
Assurance and Advice on employment issues	No Charge
Job Evaluations	No Charge

INFORMATION TECHNOLOGY	
Access to the internet via GroupWise	\$4.50/user/month
IT classes	Per class charge
FINANCE	
Payroll Services	
Payroll bi-weekly	\$50 per pay period
Tax reporting	\$120 annually
Benefit reconciliation	\$200 annually
FLEET	
Access to Fleet Services	Charged per each service provided

ATTACHMENT B

Boulder City Council Study Session February 27, 2007

Boulder Housing Partners: Boulder Mobile Manor Summary

Summary

The Boulder Mobile Manor property is characterized by deteriorating mobile homes and infrastructure. The homes are small, aged, and are in constant need of repair. The infrastructure is failing, resulting in continuous and costly plumbing problems. Repairs are ongoing and increasingly costly for BHP in time and money. City-administered housing funds have been and are expected to continue to be requested to finance these repairs.

Larger families of four to six people are living in the two-bedroom homes. The average household income is less than 30% of the area median income, or \$26,100 for a family of four.

Boulder Housing Partners is requesting an accelerated planning review schedule for Boulder Mobile Manor as a “pilot” project because this project:

- a) exceeds City goals of affordability – anticipated to continue to be 100% affordable,
- b) is expected to exceed City goals of energy efficiency, and
- c) houses service workers crucial to economic vitality of Boulder.

Site, Demographics and Guiding Principles

A. Site

1. Located on Valmont between Folsom and 28th St; 4.9 acres
2. Property built in 1961; purchased by BHP in 1997
3. 66 mobile homes; all 2BRs except for one 1BR unit
4. 12 units are owner-occupied; 54 units are renter-occupied
5. Home ages range from 21 to 49 years old; built 1958 to 1986
6. Currently, 13 units are less than 600 sq ft; 47 units are less than 850 sq ft
7. The site is fully occupied

B. Demographics

1. Average household size is 3-4 persons
2. Average monthly income is \$1900; average median income is 29%
3. This is BHP’s largest family site, with 91 children
4. Average home rent for the rentals (54 units) is \$530
5. Average lot rent for the owner-occupied units (12 units) is \$330

C. Guiding Principles for Redevelopment

1. Preserve affordability of housing
2. Minimize displacement of current residents by phasing maintenance and development
3. Evaluate needs and interests of current residents, including home type, open space and community areas

4. Renovate with new, long-lasting fixed-foundation housing
5. Identify valuable aspects of original housing and capture as possible in redevelopment
6. Establish a mixed income community over time
7. Preserve a sense of community
8. Maintain as rental housing (pursuant to grant covenants)
9. Protect natural features
10. Satisfy BHP's triple bottom line, including
 - a. maintaining fiscal viability
 - b. achieving a social goal through the provision of affordable housing
 - c. achieving environmental sustainability

ATTACHMENT C

CITY COUNCIL HOUSING GOAL

CURRENT STATUS REPORT

February 27, 2007



City Council Housing Goal

Current Status Report

February 27, 2007

John Pollak, Co-Director
Department of Housing & Human Services
303 441-3157
E-mail: PollakJ@ci.boulder.co.us



Affordable Housing Established as a Major Goal

- **January 1999: Comprehensive Housing Strategy Accepted**
 - *Strengthen partnerships, hold & gain ground for very low, low and moderate income workers in Boulder, help special populations & seniors, manage growth & density*
- **January 2000: Inclusionary Zoning Took Effect**
 - *20% of New Residential Development as Permanently Affordable*
- **May 2000: Housing Task Force Report—Council Supports Housing Goal**
 - *10% of the Housing as Affordable*

Maximum Incomes of Households Served

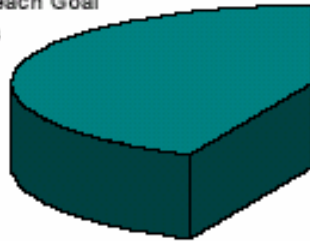
(Based On Year 2006 HUD Area Median Income for 1 - 3 Person Household)

HUD 30% Income	\$18,250 - \$23,500
HUD Very Low Income	\$30,450 - \$39,150
HUD Low Income	\$41,700 - \$53,650
HUD + 10%	\$47,731 - \$61,470

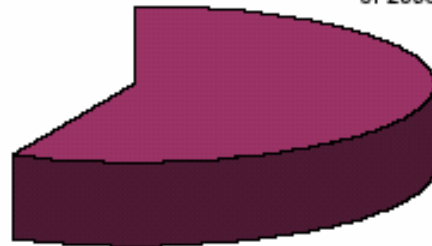
Status of City's Affordable Housing Goal

City's Housing Goal:
10% Goal = 4,500 Affordable Units

Affordable Units
Needed to Reach Goal
= 1,813 Units



Affordable Units as
of 2006 = 2,687

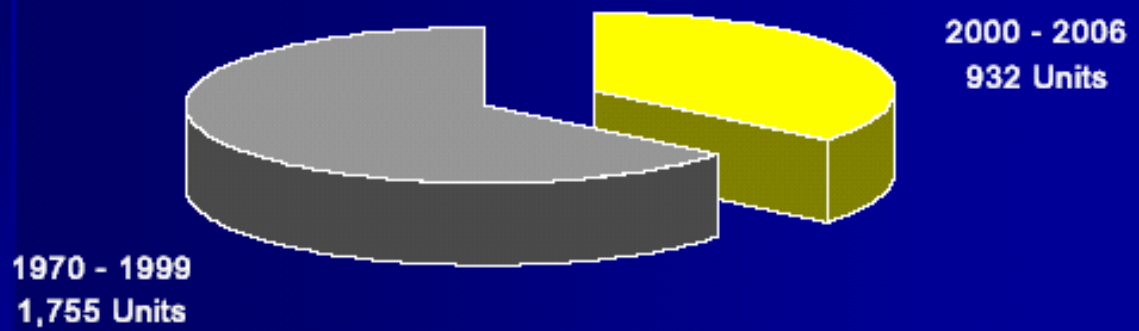


As of Year End 2006 at 59% of 4,500 Goal

*Includes approximately 275 beds in group living arrangements counted as single person households

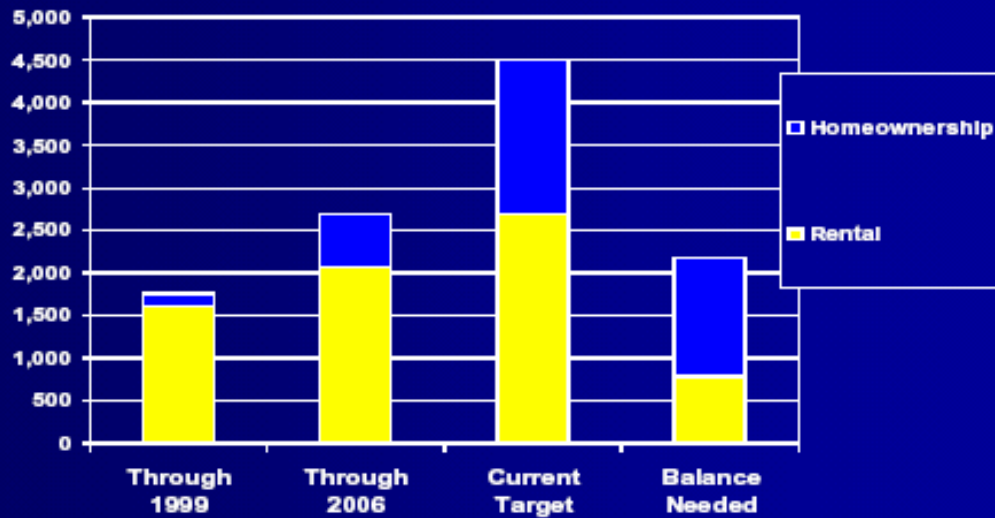
Affordable Housing Production

2000 – 2006 Compared to Prior Years



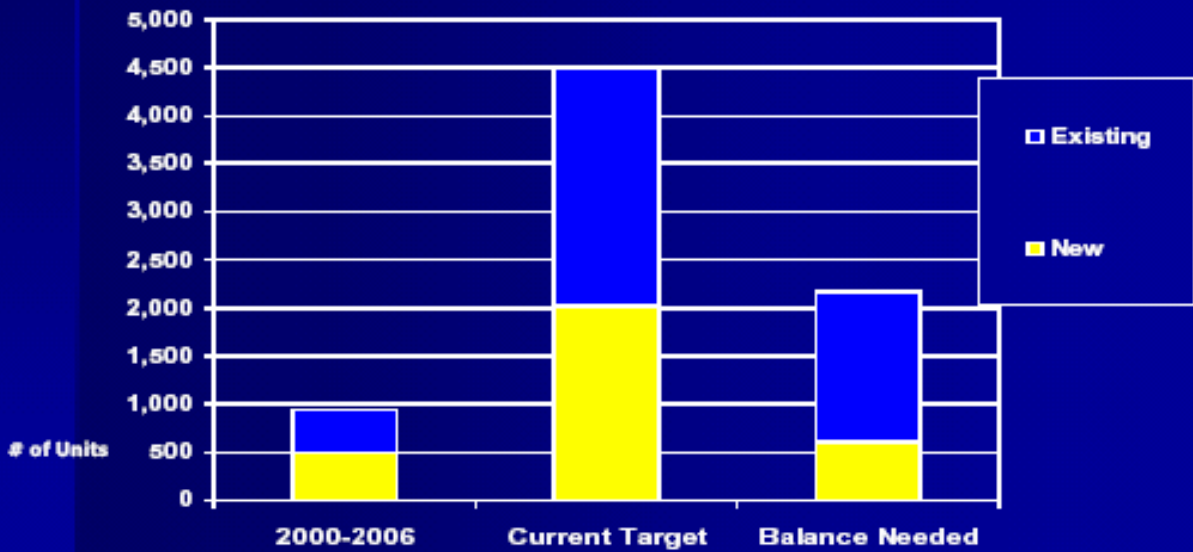
Rental and Homeownership Distribution

	Through 1999	Through 2006	Current Target	Balance Needed
Homeownership	140 (8%)	621 (23%)	1,755 (39%)	1,134 (63%)
Rental	1,615 (92%)	2,066 (77%)	2,745 (61%)	679 (37%)



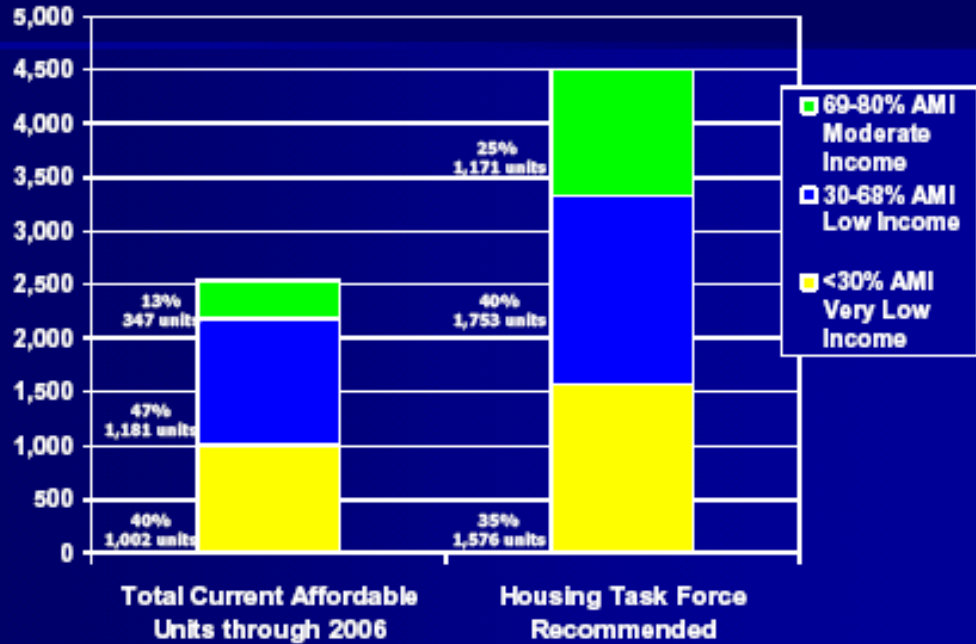
New Construction Versus Acquisition of Existing Units in 2000

	2000- 2006	Current Target	Balance Needed
Existing Units	429 (46%)	1,510 (55%)	1,081 (60%)
New Construction	503 (54%)	1,235 (45%)	732 (40%)



Progress on City Council Goal By Income Distribution

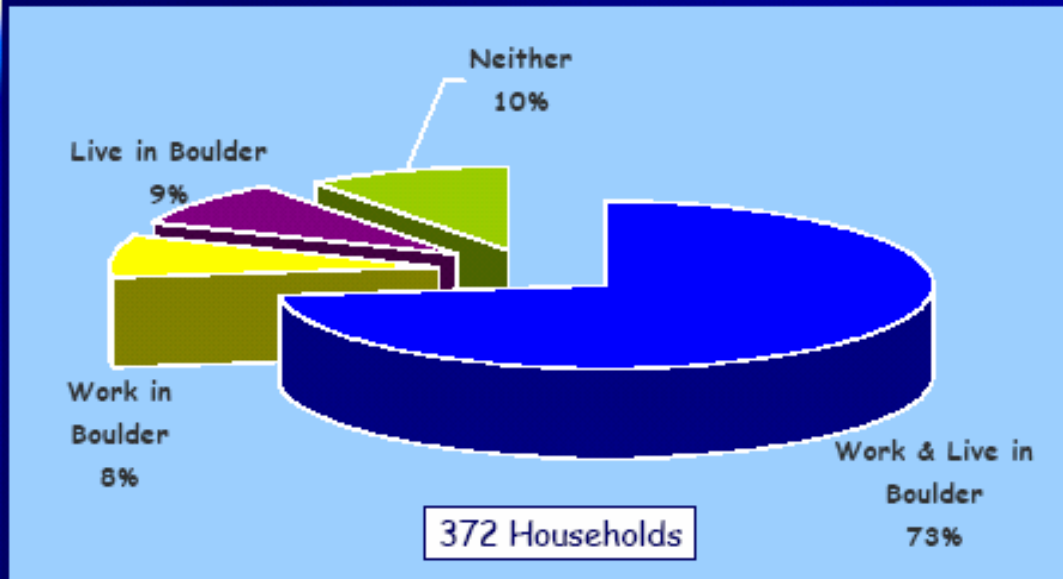
City Council Goal:
4,500
Affordable Units



In addition to the low - moderate income housing units, there are 26 permanently affordable homes for middle income households (>80% AMI).

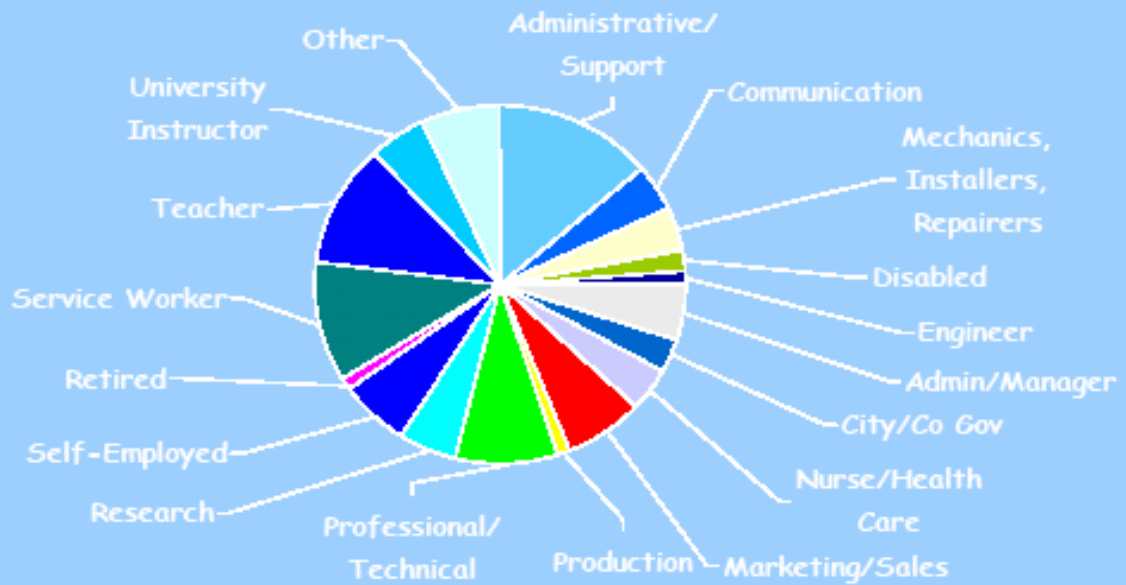
Home Buyers Through 2006

*90% Were Part of the Community
(Work, Live, or Both in Boulder)*

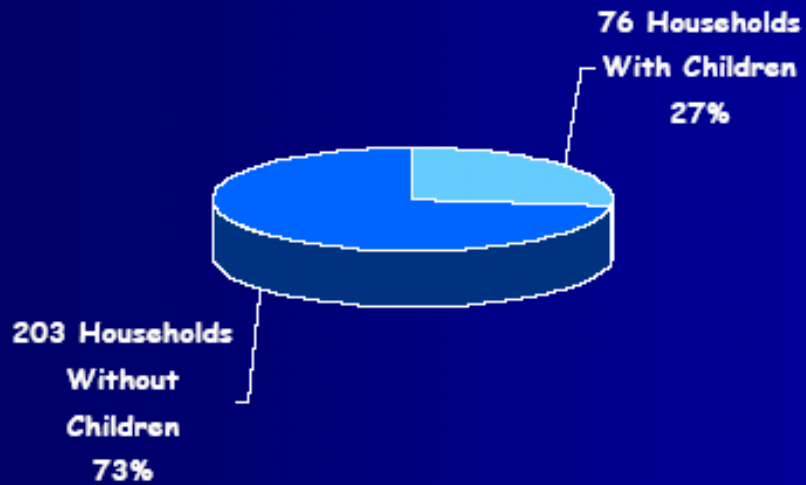


90% of homeowners work, live or both in Boulder prior to buying an affordable home in the community.

Affordable Homeowners: Occupations



Homeowner Households with Children



Based on 279 households