

## AFFORDABLE HOUSING ASSESSMENT – WASATCH COUNTY

When I serve on the Wasatch County Affordable Housing Authority Board (the “Board”) I do so not just representing myself but rather our entire Midway City Council. Therefore, I’d like to share my overall observations of how affordable housing has been addressed thus far and my recommendations of how we could do much better in addressing this critical need in our Valley in a more meaningful way and I’d like to know if our full Council is in support of the direction I’d like to continue to encourage and push the Board and our Valley as a whole.

Many of you who know me know that I tend to be very direct if not blunt at times. It’s often the only way I know how to communicate with complete clarity on important matters, but in no way am I inferring ANY criticism whatsoever of the well-meaning actions of others. I only look to the past to learn from it and then focus entirely on the future to progress forward and improve.

My observations come from a perspective having developed and owned affordable housing over the past 36+ years throughout the western U.S. developing over 20,000 units, the last 18 years with my own company. During this tenure, I’ve had the opportunity to work with many local, county and state affordable housing agencies involved in affordable housing from rural communities to highly dense urban cities.

I believe the best solutions come from properly identifying what the real problem is or as Albert Einstein said "If I had an hour to solve a problem, I'd spend 55 minutes thinking about the problem and five minutes thinking about solutions."

So, let me start with my observations of where we could use improvement:

1. We have no cohesive strategic plan nor goals for really addressing all of our affordable housing needs.
2. We have no monthly or quarterly reporting that measures our progress towards such goals and which would enable us to make strategic adjustments as necessary.
3. We have been reactive vs. proactive. For example, we allow the developers to propose how they will meet their 10% inclusionary housing requirement which will always result in a) the least cost option (which typically address only the very high end of affordable housing needs; i.e., for-sale affordable to households at 80-120% of the Area Median Income or AMI) and b) no long-term deed restrictions.
4. We are currently getting short term affordability vs. long term deed restrictions which leads to losing affordable housing stock over time which works completely against what should be our goal. We should be building upon our inventory each year not losing it.

5. We do not have any staff experienced in affordable housing; the need for experienced staff is no different than trying to manage our city planning without planning director nor staff with experience in planning.
6. I have often described a community's affordable housing needs are like a stratified pyramid with each level representing low-income levels with the highest incomes at the top and lowest incomes at the bottom and with the volume of each level representing the sheer number of individuals/households in that income category. Thus far we have been primarily addressing the needs of the very top of the pyramid; the highest affordable income level households via affordable for-sale housing. By far the greater need in sheer numbers are those working in the service sector and entry level jobs in our Valley. Many if not most of these workers either have to commute or are shuttled here from Utah Valley. Some complain that Park City is pushing their service sector and entry level workers into our Valley thereby exacerbating our affordable housing needs but likewise our Valley is doing the exact same thing to Utah Valley.
7. We are not leveraging our funds with all other available state and federal funds which only results in fewer affordable units being produced than would be otherwise. For example, the 38-unit Prestige II Senior Apartments in Heber City, developed and owned by the Board, should have taken advantage of Low-Income Housing Tax Credits to finance its development costs, wherein it could have had an additional \$2.5 million in affordable housing funds in its coffers. Additionally, the Prestige II Senior Apartments could have sought up to an additional \$1.0 million in State Olene Walker Housing Loan Funds which would added an additional \$1.0 million to the Board's coffers. That's \$3.5 million that could have been used to provide an additional 125 affordable rental housing units for our Valley.
8. The lack of a clear vision and plan is resulting in misplaced objectives and the expenditure of a greater amount of funds than anticipated. Again, the desire to develop and be the owner of Prestige II cost the Board an additional \$500k due to their lack of knowledge and expertise in developing and owning senior affordable housing. We have to ask ourselves is our goal to develop and own assets or is it to assist in providing as many long-term affordable housing units as possible. Clearly it should be the latter. Also, ownership brings additional management and oversight issues which distract from which should be the primary objective of the Board and Staff. For example, the Board has been recently preoccupied with addressing potential construction defect or design problems with the space heating system at Prestige II. We should be staying focused on helping to achieve the big picture goals towards increasing affordable housing in our Valley and not get distracted with minutia that detracts from that.
9. Regarding the service sector jobs which are typically at the lowest income levels (30-60% of AMI) there seems to be an aversion to apartments by some in our

Valley. These lower-income service sector workers will not be able to afford purchasing even the smallest home or condo and therefore need affordable rental apartments which requires sufficient land zoned for such.

10. Least anyone think my observations are directed only at the County and Heber City, here in Midway we need to step up and do our part. Currently Midway does not contribute any potential subsidy via in-lieu fees nor do we have any inclusionary requirements (in-lieu fees are more effective and useful vs. inclusionary requirements IMO but I'll leave that for a discussion another day).

I now would like to summarize my recommendations for the framework of an action plan:

1. Hire professional staff that is shared by all jurisdictions. Fortunately, there is complete consensus on this objective. This staff should be involved in the entire action plan.
2. Complete a "current" affordable housing needs / shortfall assessment. Studies have been conducted to determine the "future" annual needs based on growth but I've yet to see a study that shows the current total number of units at each low-income level that we are currently lacking in our Valley.
3. Identify the "why" we are short affordable housing (more on that later).
4. Come up with the "Goals" and the "Vision" to provide the housing needs (in numbers and at the different income levels) that we are both currently short and will additionally need due to our projected growth each year. Think of the Goals and Vision like a "General Plan" for a municipality.
5. Come up with the detailed plan/implementation that solves the "why" and achieves the "vision". Again, think "land use / zoning code" implementing the "General Plan / Vision".
6. In my opinion the plan should include (but not be limited to) the following:
  - a. Guarantees of long-term affordability via deed restrictions for both rental and for-sale housing (i.e. deed restrictions of at least 60 years).
  - b. Allowing the County as a whole to be more proactive and have a greater say in what is provided (for-sale vs. rental apartments, targeted income levels, etc.), not just the developers.
  - c. Address all affordable housing needs at each and every low-income level, per the new study, not just for-sale affordable.

- d. An objective to provide the greatest number of units meeting the demand studies.
- e. Require the leveraging of all available local funds with other State and Federal funding and subsidy sources (i.e., Low-Income Housing Tax Credits for affordable rental units and State Olene Walker Housing Loan Funds, etc.) which helps in the objective of item (d) above.
- f. Stay out of the ownership and management of affordable housing which will only lead to fewer units being provided and creating a distraction and time burden on Staff and the Board (which is exactly how all of the Housing Authorities that I've dealt with have operated).
- g. An objective to keep the Staff's and Board's required involvement of compliance monitoring at an absolute minimum. Again, Staff (and the Board) should be focused on increasing the supply of affordable housing and not become handcuffed with too much management / oversight of existing units.
- h. Encourage housing for service sector employees in close proximity to employment areas. Not only does it make sense for these service sector employees but it will increase our ability to secure and take advantage of other subsidy and financing sources which will enable us to leverage our local funds which will provide a greater number of affordable housing than otherwise.

This "framework" of an action plan is what I'd like to have our Council's support for me to encourage and push our Board and County to implement for our Valley.

Determining the "why" in the question "why do we have an affordable housing shortage in our Valley?" is part of my above suggested action plan and should be thoroughly analyzed and vetted. And while we as a Council will explore and discuss this in further detail in Council Work Sessions, let me just share my personal opinion and observations.

First, I must say that this is not an easy problem to solve. If it were, we would not have such an acute need and shortfall of affordable housing not only in our Valley but throughout our Nation.

There are many contributing factors; some which contribute more than others. For example, our Valley is experiencing the same challenges that other resort communities face; increased demand for growth with geological barriers (i.e. the mountains that surround and define our Valley) that limit available land.

But more fundamentally, in a free-market economy such as ours, the market determines what we pay for housing (rents and home sales prices). It costs exactly the same to produce an affordable rental or for sale unit as it does to produce the same unit as a

market rate rental or for sale unit. Additionally, a free-market economy such as ours determines what wages are paid and unfortunately many service-sector jobs do not pay wages that would enable an individual/household to pay market rate for housing.

Therefore, the problem is in order to make housing affordable an affordable rental unit's rent will not completely cover the rental operating expenses and debt service of its costs or for an affordable for-sale unit the affordable sales price will not cover its entire costs to develop. This creates a "gap" or "shortfall" of financial sources in order to make such housing financially feasible in order to create such housing and any solution needs to solve the "HOW do we finance this gap."

I compared the needs of affordable housing in terms of numbers at different low-income levels to like a pyramid and, the greater need in terms of sheer numbers as well as deeper affordability, which creates the greatest financial "gap" or need, lies at the very bottom of this pyramid (from 60% MAI to 30% MAI) which represents most of the entry level and service sector jobs in our Valley including entry level County and City administrative jobs, teachers, law enforcement, etc. as well as service sector jobs for grocery stores, restaurants, retail stores, gas stations, etc. which we all benefit from and patronize.

If it weren't for this "financing gap" we wouldn't have a shortage of affordable housing therefore the correct solution in my experience becomes "how do we fund / finance this gap" and therefore ultimately "who" should pay for it?

Each and every one of us who live in this Valley contributes to the need for all of these entry level and service sector jobs. All of us buy groceries, fill up our cars with gas, eat out at restaurants, shop at local retail stores, etc. Most of these workers can't afford to live here and commute or are shuttled from outside of our County (i.e., Utah County). So, personally, I feel the workers who serve our community should be able to live here and we should all contribute and be part of the solution to address our affordable housing needs because we all create the need for it.

Land owners should not be burdened IMO to bear the full responsibility to solve the financial problem of our affordable housing needs (i.e., thru inclusionary requirements and in-lieu fees) since each and every one of us play a part in creating the demand for such. A resident who has lived here for 3 years and a resident who has lived here for 30 years both shop for groceries, fill up their cars with gas and shop at retail stores here in our Valley thereby both contributing to the demand for affordable housing for these workers.

Quite honestly, although this is a complete "pipe dream", I believe this should be done thru our property taxes so that those with greater means can bear a greater share and those with lessor means who rent as well as (ideally) those owner-occupied homes with an assessed property value below a certain threshold (except for 2nd homes and rental homes) would be exempt from such a tax. I know this will most likely never ever happen, and therefore we will need to come up with an alternative (i.e., like in-lieu fees

or something else) but I do believe that it's the best and most equitable solution to the financial problem which is at the crux of the problem.

If we can solve our local financial needs for affordable housing, we should take full advantage of County, State and Federal financial sources and programs to fully leverage our County resources which will enable us to provide a greater number of units than trying to go it alone as a County. All of us pay State and Federal income taxes and these financial resources and programs are funded from such (i.e., we all already contribute to such funding sources available for affordable housing at the State and Federal level).

Land use and zoning regulations are often singled out for contributing to the lack of affordable housing and therefore are often used to try to address it. These proactive changes, created with well-meaning intentions, actually results in unforeseen and unintended consequences with the intended results ultimately negated by market forces. This has convinced me that land use and zoning regulations are neither the problem nor the solution. The only exception to this would be having sufficient multi-family zoned land to adequately provide a sufficient supply of rental apartments.

Over the years, I have seen just about every possible zoning/land use regulation used to attempt to solve their affordable housing needs from density bonuses, inclusionary housing requirements, in-lieu fees, smaller units, reduced development standards like reduced parking and setbacks requirements or building height restrictions, smaller lots, by-right development, increasing allowable density, etc. etc. For example, increasing the allowable density ultimately did not make the land costs cheaper for affordable housing but only served to increase the land value that a land owner could command on the open market and only served to accelerate growth and higher densities in the long run. In-lieu fees and inclusionary housing requirements only serves to push the entire burden not on the developer (as some may believe) but rather upon the land owner because now the developer can't pay as much for such land. Smaller units while in theory may sound great, but without real long term deed restrictions that restrict how much rent can be charged or what the unit can be sold for, and a realistic method of compliance enforcement, owners will charge what the market will bear and in high demand and high growth areas, those will quickly surpass what is affordable.

Bear in mind, I'm not saying that smaller units won't help. What I am saying is that in the long run, they will not adequately address our affordable housing needs nor remain affordable without long term deed restrictions and a "practical" method to ensure their compliance without taxing staff's time.

Again, in summary, at this time I'm simply only asking for Council's support for me pursuing my presented framework of an action plan (items 1 thru 6 above) with the Board and County. The details of the "why" and "how" to solve the "why" we can explore and discuss further during our Work Sessions on Affordable Housing.

Thank you.

