CITY OF CHARLOTTESVILLE

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Housing Advisory Committee

Wednesday, August 21st, 2024, Minutes
City Space Conference Room 12p - 2p

HAC Members Present:

- Phil d'Oronzio (PdO)
- Heather Griffith (HG)
- Joy Johnson, Chair (JJ) (virtual)
- Peppy Linden (PL)
- Sunshine Mathon, Vice Chair (SM)
- Mike Parisi (MCP)
- Michael Payne (MP)
- Dan Rosensweig a(DR)
- John Sales (JS)
- Nicole Scro (NS)

Staff Attendees:

- James Freas, Deputy City Manager for Operations (JF)
- Alex Ikefuna (AI)
- Madelyn Metzler (MM)
- Alan Peura (AP)
- Sam Sanders, City Manager (SS)
- Antoine Williams (AW)

Other Attendees:

- Kathleen Glenn-Matthews, Deputy Executive Director CRHA (KGM) (virtual)

1. **Welcome**

   SM: Calls meeting to order at 12:13pm.

2. **Introductions and Attendance**

3. **Staff Update: City Manager's Office to facilitate discussion on HAC's Landbank Recommendation and Update on related work sessions for Council**

   <u>Introduction</u>

   SS: Goal is to get a sense of what issues or questions might come up in front of City Council, including items communicated to Council outside of HAC meetings, so he can be prepared to best answer questions.

   Shared with Council where HAC and staff recommendations re: Land Bank differ. Own goal is to limit those differences to the extent possible, but acknowledges they may occur. Council prefers no differences.

   Now that work has now concluded within the HAC, two steps before Council reviews Land Bank Ordinance (LBO). 1) SS review (completed), and 2) Attorney's office review (still to come).

   JJ: Who is on the Land Bank Working Group now? Wants to have transparency on membership & purpose.

   SS: PdO, Lyle Solla-Yates (Planning Commission), AW, and City Attorney. Purpose is to review HAC's changes from the original ordinance.

   PdO: Working group was to handle technical issues, and give City Attorney the opportunity to keep changes within bounds.

Staffing Needs of Land Bank

SM: We imagined both a single new hire to oversee the LB and the LB simultaneously borrowing time from City staff to support backend operations at first. We also noted that if LB was to be created within an existing nonprofit, the same structure would apply.

PdO: Predicts a minimal but not insignificant amount of time from City staffer at first. After initial stages, City and LB will the have to determine ongoing staffing needs.

SS: If City staff is helping a staffing gap, limited time/resources will be pulled from other City efforts related to housing. How confident is HAC about workload? How soon would LB activities begin?

PdO: LB would act as a service provider to orgs that build affordable housing, so there would be few transactions where LB acts alone. In those transactions, the outside org would be doing the lion's share of the work. Sees opportunities not just with HfH, PHA, & CRHA, but smaller backyard projects, sublots, and seller financing. Would start slow, but hopefully get up to 60-100 transactions per year in year 3.

DR: It's the "wild west" since the new Zoning Ordinance, so nonprofits are trying to work together so sellers can't play them off each other. LB could become a clearinghouse and help rationalize this process.

JF: Notes sellers playing orgs against each other was occurring previous to the new ordinance.

SM: LB can be the "entry point" of a property, giving time to determine the best org for a particular property. Gives two scenarios:

1) LB acquires a property independently, which is followed by a fair process to determine its disposition.
2) An org brings a potential property to LB on its own, in which case it will be given a period of time with exclusive negotiating rights. If window expires, then the above process is followed to determine disposition.

SS: Very worried about the amount of capacity LB will eat up.

DR: Right now HfH is getting calls every week. Loops in Piedmont Community Land Trust, then does a site visit, zoning code examination, etc. If the LB is involved in a similar scenario, due diligence will have to be done, and quickly. Would be beneficial to get fast assessments from City planning department to move on potential properties quickly.

JF: Questions if LB would increase rate of activity, or just redirect it.

SM: Scale of some projects could be small, involving acquisition but not construction.

PdO: LB's Board will be able to leverage expertise from City as well as at-large members.

JF: PdO talked about relying on LB's partners to do due diligence, and DR noted HfH's in-house capabilities. Maybe due diligence doesn't exist within the LB at first, but can develop over time.

DR: Capacity question will involve due diligence on a number of properties, quickly. Not sure how it will be done, but significant need for it.

Land Bank Entity-type Options

James Freas: The HAC's LB Memo references the option of LB being created within a department of the City. But state code doesn't specify that option. Unclear if law allows a department of the City to purchase land for affordable housing, but clear that other possible options can.

PdO: Acknowledges LB would be "creature of the city" because Council appoints its board. But main idea is that the LB needs to operate independently on a day-to-day basis, move quickly on deals.

SM: Clarifies HAC never considered creating LB within a City department. HAC's motivation for creating the LB as a new entity was to avoid being encumbered by City processes and requirements, so that LB could act as quickly as possible within the often small windows of real estate transactions.

JF: Acknowledges Council will have to decide on LB's degree of autonomy and oversight. As LBO is written, LB's board makeup and process sounds a lot like an Authority's. But the HAC's final recommendation was to create LB-as-a-new-entity, not as an Authority. Trying to resolve that question.

SS: Will consider both options– HAC's recommendation to create LB as a new entity, but also within an existing nonprofit.

<u>Land Bank's Funding & Capacity to Issue Bonds</u>

SS: Affordable Housing Plan calls for a toolkit to produce/preserve housing. Question is how many programs can the City support financially? LB entity will need operating expenses–how has HAC considered this issue?

PdO: Doesn't see LB as a large drain on City funds.

MP: Is City staff concerned with LB's start-up costs, or long term costs? Or the question of using City staff's time to support LB operations?

SS: All of the above. Initial and ongoing operating costs.

JF: Re: question of bonding, reads state law as saying that LB-as-a-new-entity would need to rely on a government agency to issue bonds. If LB was created within a nonprofit, not sure that state law would give LB the same bonding capacity as an Authority such as CRHA has. If LB-as-a-new-entity were to get a piece of the City's bond capacity, that raises the question of how much oversight the City can and would want to wield.

MP: Bonding question is extremely important. Rivanna Water & Sewer Authority (RWSA), Charlottesville Economic Development Authority (CEDA), and CRHA all are Authorities, and all can issue bonds. Would the same ability apply to the LB?

JF: Right now, our understanding is the LB-as-a-new-entity could, but only through an existing government entity.

SS: As another example, the Albemarle Charlottesville Regional Jail (ACRJ) does come to its member orgs before it issues bonds.

MP: Notes CRHA bonds don't have a financial impact on the City, but City does exercise power to approve them.

SS: Is HAC clearly recommending that LB has bonding capacity?

SM: Yes. And HAC's recommendations might change depending on how these bonding questions are settled.

SS: Notion of LB as a new, standalone entity with bonding capacity is a cause of major heartburn personally. It's Council's call, but as City Manager there would be an issue with managing that. Wants to look at area precedents including Emergency Communications Center (ECC), ACRJ, etc. for they operate with respect to bonds and consider the options available. Even CRHA doesn't have full authority to independently issue bonds.
JF: We will be asking legal for clarity on these questions.
JF: Other question is where is the money coming from for LB's property purchases?
PdO: Community Reinvestment Act Money, banks that are short, grants, and cheap money. From City, a bridge revolving line of credit that clears in 60-90 days. Also speaking personally to foundation world contacts. Will need millions/year, and that's not coming from the CIty.
SM: Public-private partnership around a strike fund will be necessary. Practice that is used elsewhere. Will need to access, leverage private capital.
PL: Notes importance of using tools that aren't currently in use, as well as leaving room for scenarios that aren't possible to predict right now.
HG: What practices are in use at the Maggie Walker Community Land Trust?
SM: MWCLT received $5 million revolving capital to get them off the ground quickly.
PdO: There are also lessons re: staffing practices slowing down MWCLT as well. Once LB has made initial land acquisitions, it can leverage those for capital.
MP: Opportunities for land acquisition will continue to come up. If a strike fund is established, and if the LB can bond, that will ease the City's fiscal burden.
PdO: Acknowledges bonding capabilities wouldn't come into play immediately prior to proof of concept, will be 2-3 years at least.

<u>Land Bank Board Selection & Composition</u>
PdO: HAC was clear during its deliberations that Council would appoint all board members, except for the Planning Commission rep to be chosen by the PC itself.
DR: Agrees, but notes that from the point of view of a nonprofit there is strong possibility of dysfunction if Council chooses to create the LB within an existing nonprofit while retaining power to choose the LB's board. The nonprofit director would then be put in a bind, answering both to LB board, *and* to their own existing board. Creates potential for conflict. Best practice in this scenario would be for the nonprofit to use an internal nominating committee.
MP: Agrees it would be strange for Council to appoint the LB board within an existing nonprofit.
JF: Looking at state statute, it does specify that Council must select the LB board.
JJ: Asks SS to speak about the idea of LB board having two slots for members with lived experience.
SS: Appreciates the effort to include lived experience, but it's already an ongoing challenge to fill these types of slots, and has hindered other boards' ability to perform. That is a significant concern. Council has wrestled with not receiving candidates for these board seats.
JJ: HAC did discuss steps that need to be taken to have a different approach with filling slots reserved for members with lived experience.
SS: Acknowledges providing board members with compensation has been proposed as part of a solution. Deputy City Manager Eden Ratliff is looking at that.

JF: State law does allow it.

PL: Issue does extend beyond compensation to recruitment and mentoring (as PL did with JJ and the CDBG Task Force).

SM: HAC had a thorough discussion on ways to improve that process. Compensation, child care, mentoring, meeting times, et al.

MP: For the past five years, City has had 4-6 boards that require lived experience. Was not the case prior to that. Some of these seats have been unfilled for over two years with no applications that meet requirements. Lots of steps needed to improve this. Floats idea of giving first preference to board candidates with lived experience if those applications are received, but leaving open the option of selecting other candidates if not.

PdO: Lots of discussion on this, how many members, what kind of slots. This was so important to some HAC members to have these lived experience slots, that ordinance is written so that the LB can't act until those members are appointed. JJ, JS most vocal on this issue.

DR: Acknowledges Council may not want to go the direction HAC recommends, SS/Council have final say.

<u>Other Roles for the Land Bank</u>

JF: Did HAC consider not including any capabilities available to the LB under state law? Surprised that the HAC left open the possibility of the LB acting as a developer.

SM: Affordable housing is the LB's clear first priority, but in case where that is not possible, it leaves the option open for development. Idea was not to remove optionality from LB, in case development does serve its purposes indirectly.

JF: That does leave open the door for LB to develop an affordable housing project itself, not just partner with another developer.

DR: Happy to have other actors in affordable housing, but not if it's inefficient. Connection to the Affordable Housing Plan within the LBO is strong. But the LB board should consider value statements, circumstances where LB could or could not develop.

SS: Could for-profit developers partner with the Land Bank?

PL: Sublots could be an example of that.

PdO: LB could buy the land in a financed arrangement w/a developer.

JF: Ex: A 200-unit project is coming in, which requires 20 affordable units under the new Zoning Ordinance–could LB come in as a financer to help make that happen? LB could buy down the affordability even further so that the project could include 30% of units as affordable instead of 10%.

PdO: Why not? Options like these will become more and more apparent as the LB operates.

HG: Raises question of LB's right of first refusal.

SM: Clarifies this refers to city-owned land and tax foreclosures.

JF: Which is a land bank's core purpose.

MP: Related to but different from right of first refusal for CRHA–a tension point within the HAC circa 2017-18 when discussing LB. Council, staff, HAC were in conflict over that issue. CRHA's fear was City could use LB to side-step efforts and concerns of public housing residents.

AI: Notes ordinance says it will become effective on date enacted, but LB will still need to be incorporated before that can happen. Flags for legal team.
MP: Is there a ballpark date for Council to discuss LBO?
SS: Not yet.

4. **Agenda Items**
   i. **July 17 Regular HAC Meeting Minutes**
   Minutes approved.
   ii. **HAC Annual Work Calendar**
   AW: Developed a calendar for the HAC broken up by quarter, three meetings per quarter. HAC can see what topics fall where. Ex: Next meeting 9/18 can discuss member orientation/training and/or PILOT.
   ADU clean-up scheduled for Oct-Dec, because NDS is working on that simultaneously.
   SM: Will need to add our response to Council's LB discussion into the calendar.
   DR: Notes the Intervention Analysis Tool not included in topics but should be. Involved a consultant identifying a 4000-unit gap and how to get there by 2040 with a toolkit of interventions including and in addition to building housing.
   SM: For context, IAT was developed ~2018, resulted in the push for the City's $10million/year commitment to affordable housing. Was also the launching pad to hiring the consultant to develop the Affordable Housing Plan.
   DR: IAT would provide guideposts to Council every year. Ex: if one area like home ownership is being well-served, then we know to direct funds elsewhere.
   AW: What could be involved in HAC's IAT work?
   SM: IAT was conceived as a tool for both analysis and tracking. But much has happened since 2018, some analysis has been done while some would need to done differently now. The tracking aspect would provide transparency re: use of City housing money. Examples elsewhere of a public dashboard tracking how money is spent. Northern Virginia has a tool that tracks public investment across multiple jurisdictions. Richmond launched one, TJPDC is working on one here. Can HAC identify missing piece(s) of analysis?
   PdO/MP: TJPDC's tool is relatively superficial.
   MP: UVA public policy grad students looking to do projects along these lines. Connect to them? Who has capacity?
   SM: Need to develop scope first.
   DR: Let's it put on the work plan to catch up new HAC members.
   AW: Midyear review period could be the time for IAT.
   SM: Is IAT connected to ADU review? Let's add IAT to October timeframe.

5. **Public Comment**
   No public comment.

6. **Adjourn**
   Adjourned 201p.

<u>APPENDIX</u>

Emailed comments sent post-meeting

Date: 9/6/2024
From: Mike Parisi
To: Sam Sanders, James Freas, Alex Ikefuna, Antoine Williams

Hello all,

As the HAC's secretary it can be hard for me to interact as fully as I'd like to in real time, so consider these thoughts as ones I would've liked to express publicly at the last HAC meeting. In that spirit, please feel free to forward or excerpt this email to anyone as you see fit.

First, why have a Land Bank at all?

As one of the founders of the successful nonprofit Land Bank Twin Cities describes it, a land bank is more than an organization that buys real estate, it is a community-based financial institution that can lend in ways that traditional banks will not, intervening in a rapidly escalating real estate market to benefit low- and moderate-income people.

In a housing crisis, we need an organization uniquely equipped in our region with expertise, access to capital, and a laser focus on facilitating affordable housing. I don't think we have such an agency here, but we can create one.

To be effective the Land Bank will need to be:

- Well-resourced
- Expertly staffed
- Politically supported by the City
- Able to solicit, raise, and accept funds from UVA, nonprofits, foundations, private capital, and bonds
- Able to recruit the cooperation of Albemarle County, TJPDC, and any other potential partners
- Open and responsive to community input & oversight
- Armed with multiple financial tools
- Flexible
- Fast

We don't know what will work best, or what challenges will arise in the future, so the Land Bank can and should be able to act in multiple ways. It could draw founding capital not just from the City, but from banks (as the Twin Cities did), or via a no-interest loan from a university (as happened in Chapel Hill). It could use that founding capital not for one-and-done expenditures, but a) to access yet more capital, and b) to recycle that from project to project, balancing risk with return on investment. It could have the unique ability to lend at below-market rates to get a project constructed, or constructed in a way that expands its affordability (as James mentioned). It could retain an ownership stake in a project, or act as a public developer, as happens in Montgomery County MD, the leader in this sphere. It can create a reliable pathway to new affordable units that doesn't depend on LIHTC.

In addition to City staff and HAC members, we can draw on resources like the NYU Furman Center's Housing Solutions Lab, which works with small and mid-sized cities across the country. Furman's Director of New Research Partnerships, Claudia Aiken, lives here in Albemarle and has been a great informal resource for me as I've been educating myself on precedents we can draw on.

Claudia pointed me toward Brian Larkin, the director of the Center for Community Progress' National Land Bank Network, whose next virtual training is "Laying a Strong Foundation: Lessons for Recently Established Land Banks". Their last two trainings covered getting land bank projects to pencil out, and building equitable and effective boards. It would be great if Charlottesville joined the NLBN and staff and HAC members could join these trainings.

Communities across the country are asking the same hard questions that James and Sam were very right to ask us at the last HAC meeting. Recruiting talent and capital, balancing agility with oversight, and incorporating expertise with community input are not easy tasks, but they are doable, especially so if we lean on proven practices and examples. We are not blazing a trail that has yet to be walked.

Thanks for all of your thoughts and efforts, and provoking us to think critically about the Land Bank. I look forward to continuing to do so.

Best,

Mike

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