

CITY OF ST. AUGUSTINE

City Commission Special Workshop Meeting Monday, January 24, 2022

The City Commission met in formal session Monday, January 24, 2022, at 3:00 P.M. in the Alcazar Room at City Hall. The meeting was called to order by Mayor Tracy Upchurch, and the following were present:

- 1. Roll Call:** Tracy Upchurch, Mayor/City Commissioner
Nancy Sikes-Kline, Vice Mayor/City Commissioner
Roxanne Horvath, City Commissioner
John Valdes, City Commissioner
Barbara Blonder, City Commissioner

Also Present: John Regan, City Manager
Isabelle Lopez, City Attorney
Darlene Galambos, City Clerk
Meredith Breidenstein, Assistant City Manager
David Birchim, Assistant City Manager
Mark Simpson, Director, Finance
Todd Grant, Director, Utilities
Reuben Franklin, Director, Public Works
Melissa Wissel, Director, Communications
Jennifer Michaux, Police Chief
Laura Morse, Recording Secretary

2. General Public Comments

Public comment was opened, and the Commission heard from the following members of the public:

- Amy Cutrer
- Victoria Pepper

Public comment was closed.

3. City Staff Presentation – Affordable / Workforce Housing, Goals, Options, and Strategies (10 Min)

David Birchim, Assistant City Manager, reviewed the Presentation which focused on goals, metrics used to measure affordable housing, options to address workforce housing, and strategies. He discussed the

strategy pros and cons for development of the following City owned properties:

- 450 N. Holmes Blvd. required rezoning, but could potentially accommodate 13 units per acre, or a total of 500 units
- 865 Fish Island Road had an estimated 24 acres of developable uplands, or approximately 384 units
- 800 Plantation Island Drive South as a stand-alone development would not accommodate more than 36 units, but it could be developed as a companion piece to the Fish Island Road site

Mr. Birchim introduced Shannon Nazworth, President and CEO, Ability Housing, Victor Ramos, CEO, St. Augustine and St. Johns County Board of Realtors, and Bill Lazar, Executive Director, St. Johns Housing Partnership.

4. Presentation by Shannon Nazworth, President and CEO, Ability Housing (10 Min)

Ms. Nazworth introduced the Ability Housing organization and noted the following:

- Organization focused solely on affordable housing through rentals
- Uniquely positioned to serve the communities, provided continuum of housing with rentals to help individuals get away from homelessness
- 698 units were in operation; 377 in Duval County, 241 in Orange County, 80 in Osceola
- HUD Continuum of Care Grant allowed master lease of 102 units in Duval for former chronically homeless persons
- Worked with public / private partnerships in neighborhood development
- It was 30% less expensive to provide housing and support to individuals, than to maintain homelessness
- Biggest savings was in the healthcare system with preventative care availability and not just crisis care

Ms. Nazworth reviewed the benefits the private and nonprofit sectors provided with affordable housing. She strongly encouraged the City to avoid management of apartment communities which was a very specialized expertise. She stressed the benefits of the private nonprofit sector to assist the homeless with achieving their housing goals.

Ms. Nazworth discussed a West Augustine property with Mayor Upchurch, wherein an agreement was made with the West Augustine CDC to purchase land and develop housing. She said for three years they sought financing through the State competitive process, and in April they would find out if funding was approved for 92 units.

Mayor Upchurch said Ms. Nazworth's presentation focused on the targeted at risk

or previously homeless, and he questioned the next step.

Ms. Nazworth replied that they also served a mix of working households seeking affordable places, those who experienced more economic hardship, such as living in cars, and they helped individuals on the streets move into housing. She said the term affordable had a legislatively mandated definition, and personal definitions for the quantity of necessary affordable housing units were all different.

Commissioner Sikes-Kline asked Ms. Nazworth to review the sources of funding for Ability Housing.

Ms. Nazworth replied the funding varied; however, the largest funding source was through an IRS tax credit called the Low-Income Housing Tax Credit. She said this was a competitive process which awarded tax credits that were sold on the open market, the equity was taken and the properties built, it typically funded approximately 80% to 90% of the construction costs, and then other sources of funding were found. She continued if rents were planned to be super low, they would search for other subsidies, which included pass through federal resources, neighborhood stabilization programs, State housing trust funds (SAIL and SHIP), Fannie Mae, Freddie Mac, HUD, mortgages, and any source which kept the costs down.

Commissioner Blonder questioned how Ms. Nazworth would implement this process in broad terms.

Ms. Nazworth suggested the following:

- Hire someone to make the deliberations who understood the federal and state funding streams, since this involved many technicalities
- Refer to Mr. Birchim's presentation which cited very real options, such as zoning modifications

- Housing supply was a major issue, and increasing it would begin resolving the problem; however, it would take many different scenarios
- Look at leasing or selling the three City parcels to someone who would do affordable housing in perpetuity, with a recorded land use or deed use restriction on the property so the City had control
- City could sell one parcel and use proceeds to develop housing on another parcel
- Look into accessible federal programs and work with the County who was a participating jurisdiction with access to funds
- Encouraged City staff to engage with Florida Housing Finance Corporation, which was the State's affordable housing bank who listened to local municipalities
- It was most important to prioritize that every decision be viewed with the impacts to affordable housing
- Look at ways to build relationships with other groups and incentivize developers

5. Invited Speakers;

- **Victor Ramos, CEO, St. Augustine and St. Johns County Board of Realtors (10 Min)**
- **Bill Lazar, Executive Director, St. Johns Housing Partnership (10 Min)**

Mr. Ramos thanked the Commission for engaging the City and County in discussion regarding affordable workforce housing. He shared the following information:

- Employers faced challenge of hiring employees who could not afford to live in the City or County limits, forcing them to live and commute from neighboring cities, which created traffic issues
- City lost revenue when people were forced to live outside City or County limits
- Property owners charged more for single family rentals as demand soared
- Housing market was red hot with a lack of inventory

- Interest rates were low, but slowly increasing which drove owners to sell, creating more demand and higher prices
- Significant home price increases caused the rental prices to increase
- Single family rental prices continued to rapidly increase with record growth; in November 2021 single family rent growth rose nationally over 11-1/2% year over year
- Annual rent price growth has continued to double or triple, jumping 33% in some areas in one year
- In 2019, St. Johns County average monthly rent was \$1,600, and in 2021 it was \$1,730
- Homeowners could get more money for their rental property, so they sold to obtain the gains
- Investors purchased properties in large numbers, and rented the properties for higher rents
- Nationally the percentage of investor buyers increased 16.1% in second quarter of 2021
- Jacksonville was highest in Florida, with a 28.1% increase of investor buyers

Mr. Ramos said the situation was serious, and he encouraged the Commission to do whatever necessary to address it. He acknowledged the suggested actions by Ms. Nazworth, and added that the City could reduce fees, forego hookup charges, and incentivize builders to construct affordable housing.

Mayor Upchurch thanked Mr. Ramos for his expertise and presentation.

Mr. Lazar thanked the Commission and staff for organizing the workshop. He reviewed the services of St. Johns Housing Partnership and noted the following:

- This was simply an income and math problem, whether it was called affordable housing or workforce housing
- St. Johns Housing Partnership started with fixing up substandard housing

- Partnered with the Lincolnville CRA
- Addressed housing issues all over the City with use of SHIP and federal weatherization dollars to keep people in decent, safe, and sanitary homes
- Worked on an average of 100-150 homes per year and spent approximately one million annually, which came from government foundation money and community support
- Group was a HUD certified counseling agency working with people to improve their credit and prevent foreclosure, many of whom were seniors
- Worked with Legal Aid
- Developed own rental program over last 10 years; owned approximately 70 rental properties in the County which were bought with government partners
- Owned Southern Villas, a senior low-income property
- Needed cohesiveness among government, builders, developers, and lenders, or the process became stagnate
- Built new single-family homes, and occasionally duplexes or triplexes to use as rental properties
- Increased density would allow affordable housing to work
- Builders only used incentives when they were significant
- Habitat for Humanity was only builder constructing in the County for workforce housing
- Builders could construct faster 'for profit' homes, versus working with people pre-approved for \$300,000 loans through the government
- Competing with cash buyers was challenging for non-profit groups
- City should work with the County to combine dollars and efforts
- Infrastructure was a challenge since government got out of this business nearly 30 years ago
- Build for rent investors who purchased lots in West Augustine did not care about

infrastructure or who moved in, and they charged high rents

- It was anarchy to let developers plan; therefore, needed government participation and planning
- Utilize American Rescue Act money
- If non-profits were the only developers in a community, there was market failure
- Needed builders, developers, and lenders to step up

Mayor Upchurch thanked Mr. Lazar for his service to the community and his vision.

Mr. Birchim advised the Commission that Joseph Cone and Roberto Ortiz from the St. Johns County Housing and Development Division were both present for questions.

Mr. Birchim displayed a graphic which represented the distribution of City employees across St. Johns County¹ which showed in 2016 there were 43 City employees who resided inside City limits, and in 2022 there were 27. He said they should hire a consultant to produce feasibility studies on the property chosen by the Commission, and if formal direction was given to staff to create residential density bonuses in the Land Development Code they could begin this immediately. He concluded that direction would be taken to review City employee assistance; however, the staff level was not yet at that point.

6. City Commissioners – General Discussion and Instructions to City Staff

Commissioner Horvath was pleased with the presentation and hoped the Commission would direct staff to look at both properties. She said it was necessary to conduct a survey, and to hire a consultant to advise the number of units the property could accommodate, along with the challenges. She wanted to have a serious discussion on the topic since they knew the pressures that employees faced.

¹ Included with Commission packet

Commissioner Horvath made the comment for the public who was potentially unaware, that the City had been working on grants from the State to extend the sewer out to West Augustine, so the infrastructure was not new, and they were always addressing it.

Mayor Upchurch expressed appreciation for Mr. Cone and Mr. Ortiz's attendance at the meeting and noted the City should consistently look for opportunities to work together with the County since the problems were too broad to tackle independently.

Commissioner Valdes stated the following:

- Pleased with the presentation and excited to move forward
- Consultant should be hired to perform a feasibility study to determine viability of the three available properties, which included accessibility, utilities, and water / sewer service
- Should take a 25 to 30-year future look at property threats from ocean rise and climate change
- Housing market was experiencing the perfect storm in northeast Florida and was driven by demand and success of short-term rentals in the County and City
- Commission had unique opportunity with the three properties which was a positive
- Saw effects of affordable housing shortages since although his employees were paid well, they had to commute because they could not afford the area
- Cut costs of impact and connection fees since huge impact fees were charged on infill lots developed 30 years ago
- Discover ways to change zoning and zoning requirements
- Price of labor and materials were high and drove the market, and Commission should direct staff to approach the County to look at mitigating costs in some manner

Commissioner Sikes-Kline resurfaced the idea of incentivizing density bonuses and said she would regret missing this

opportunity to begin investigation on the topic. She said she wanted to review the County's affordable housing overlay to see how and if it worked. She suggested they review potential items in the Code or processes that were impediments to the collaborations and the objective, and what obstacles hindered private businesses other than rising property values.

Commissioner Blonder acknowledged the full room and thanked everyone for their attendance. She reviewed and suggested the following:

- Full meeting room was evidence that affordable and workforce housing should be addressed right away and they should move forward
- County statistics: median family home price was \$470,000, which was a \$2,618.00 monthly payment, or \$31,000 annually
- Affordability of median home prices would require a family income of \$105,000
- Healthcare workers, teachers, and emergency service personnel kept the community running and the prices were unaffordable for them
- Supported efforts of her colleagues to address this serious issue
- Should direct staff to perform a feasibility study
- Develop strategy to work with the County to leverage both governmental strengths
- Look at residential density bonuses and other incentives as suggested in the presentation

FIRST MOTION

Mayor Upchurch MOVED to direct staff to hire an appropriate consultant to look at the feasibility of developing the three properties into sites that could be used for affordable workforce housing. The motion was SECONDED by Commissioner Horvath.

VOTE ON MOTION:

AYES: Upchurch, Horvath, Valdes,
Blonder, Sikes-Kline

NAYES: None

MOTION APPROVED UNANIMOUSLY

SECOND MOTION

Mayor Upchurch MOVED to direct staff to specifically look at our Zoning Code and make proposals, including the density bonus, that would both facilitate and remove obstacles from developers of any nature constructing affordable housing inside the City limits. The motion was SECONDED by Commissioner Sikes-Kline.

VOTE ON MOTION:

AYES: Upchurch, Sikes-Kline, Valdes,
Horvath, Blonder

NAYES: None

MOTION APPROVED UNANIMOUSLY

Mr. Regan indicated there were a few key questions regarding the impediments of affordable housing brought forward by the Commissioners, and Ms. Nazworth could better answer why there were not projects in the County and the City. He noted Mr. Cone and Mr. Ortiz were experts in financing opportunities from the County, understood the role of the Housing Finance Authority (HFA), and they could be approached with government financing option questions.

Mayor Upchurch asked Ms. Nazworth to address the question of impediments in St. Augustine that stalled or hindered the development of workforce housing.

Ms. Nazworth reviewed the following with the Commission:

- Commissioners should prepare for community members rebuking these projects in their backyard (NIMBY), which occurred in all communities
- Most citizens had an unfavorable and preconceived notion regarding workforce housing

- Commissioners should visit one of the Ability Housing properties to see how the product
- St. Johns County fees were super high, and certain areas had utility connection challenges
- Should view this as a big math game with numbers making the challenge; therefore, anything that could reduce costs would assist
- Review ways to expedite approvals and inspections
- Encouraged review of density bonuses
- Working with the County was critically important, since the City had limited resources
- Should work with the State, and State elected officials for guidance and suggestions
- Florida had the highest year over year rent increases of any state in the U.S.
- Florida had 7 of the countries' top 10 cities with year over year rent increases
- Discover ways to handle the fundamental shift in the housing market
- Acknowledge that wage increases were not commensurate with housing prices
- Investors purchased homes which increased rental rates
- City needed to view this issue as a long-term and multigenerational fix
- Healthy communities had diversities of all natures, including economic
- Review ways to incentivize private developers and make zoning easier
- Market pressures affected those in the lowest income bracket

Mr. Regan concurred that County and City impact and utility fees should be reviewed, and those issues brought government land into play. He again suggested that discussions occur with Mr. Ortiz and Mr. Cone from the County.

Joe Cone, Assistant Director, Health and Human Services, thanked the Commission and the public in attendance. He stated it was difficult to address the financing mechanisms concerning HFA; however, he would happily

supply City staff with information. He said the County received significant funds from Hurricane Matthew's destruction which were put towards affordable housing, and several developers asked for tax credits, additional subsidies, and possible property on which they could construct high impact buildings. He reiterated that affordable housing was like an iceberg, and to crack it everyone had to get out pickaxes and chip away because no matter how much subsidy was thrown at the problem, it was still a 30 to 40-year problem. He extended an invite to any City staff member to meet with him and discuss the topic.

At the request of Commissioner Horvath, Mr. Cone advised that the affordable housing property on 207 had a 30-year term, and terms typically ranged from 30 to 50 years, then the rental prices were adjusted to market rate. Commissioner Horvath hoped they could do this in perpetuity, and said she was very happy they were working on the affordable housing topic.

Mayor Upchurch expressed appreciation for Mr. Cone's comments. He said the majority of City residents were unsure whether they lived in unincorporated St. Johns County or St. Augustine, they considered themselves community residents, and they saw this issue as a community wide problem. He said for this reason, it was more incumbent as elected officials to make this as seamless as possible between the respective governments, and to place a high premium on synergies and cooperation.

Commissioner Valdes discussed Key West's huge workforce dependency and their actions taken to address homelessness and workforce housing, which included refurbishment of existing naval base housing, construction of facilities on an island to avoid the NIMBY issue, and construction of tiny houses. He said their homeless situation was different from the City's, they had resources the City did not,

and they had 40,000 people and deep pockets, while the City had 15,000 people with relatively deep pockets. He concluded that the City had the will to correct the issue, homelessness was a moral and social problem, and Key West's lead should be followed.

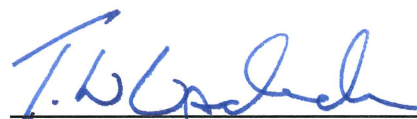
Commissioner Blonder commented that the City was not as fortunate as Key West, but it had three tracts of land available.

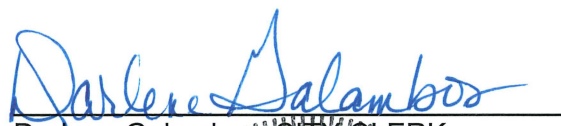
Mayor Upchurch thanked Mr. Cone for his willingness to work with City staff on the technical details. He reminded everyone that part of the economy was driven by the County having the number one school district in Florida which encouraged the choice for families to live here for the public education versus an expensive private one. He said the weather also played into the desirable area, with 43 miles of beach, intracoastal and river, and this was the challenge.

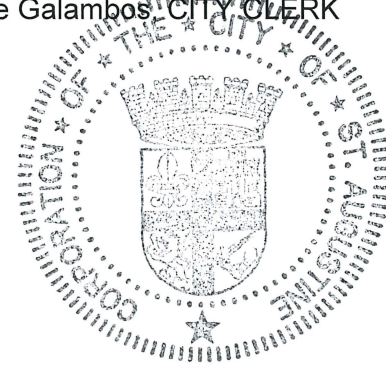
Public comment was opened; however, there was no response.

7. Adjourn

There being no further business, the meeting was adjourned at 4:29 P.M.²


Tracy Upchurch, MAYOR


Darlene Galambos, CITY CLERK



² Transcribed by Laura Morse