

AN ADVISORY SERVICES PANEL REPORT

Martis Valley California



**Urban Land
Institute**

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Martis Valley California

An Innovative Approach to Workforce Housing

September 22–25, 2008
An Advisory Services Panel Report

ULI—the Urban Land Institute
1025 Thomas Jefferson Street, N.W.
Suite 500 West
Washington, D.C. 20007-5201

About the Urban Land Institute

The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. ULI is committed to

- Bringing together leaders from across the fields of real estate and land use policy to exchange best practices and serve community needs;
- Fostering collaboration within and beyond ULI's membership through mentoring, dialogue, and problem solving;
- Exploring issues of urbanization, conservation, regeneration, land use, capital formation, and sustainable development;
- Advancing land use policies and design practices that respect the uniqueness of both built and natural environments;

- Sharing knowledge through education, applied research, publishing, and electronic media; and
- Sustaining a diverse global network of local practice and advisory efforts that address current and future challenges.

Established in 1936, the Institute today has more than 40,000 members worldwide, representing the entire spectrum of the land use and development disciplines. Professionals represented include developers, builders, property owners, investors, architects, public officials, planners, real estate brokers, appraisers, attorneys, engineers, financiers, academics, students, and librarians.

ULI relies heavily on the experience of its members. It is through member involvement and information resources that ULI has been able to set standards of excellence in development practice. The Institute has long been recognized as one of the world's most respected and widely quoted sources of objective information on urban planning, growth, and development.

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About ULI Advisory Services

The goal of ULI's Advisory Services Program is to bring the finest expertise in the real estate field to bear on complex land use planning and development projects, programs, and policies. Since 1947, this program has assembled well over 400 ULI-member teams to help sponsors find creative, practical solutions for issues such as downtown redevelopment, land management strategies, evaluation of development potential, growth management, community revitalization, brownfields redevelopment, military base reuse, provision of low-cost and affordable housing, and asset management strategies, among other matters. A wide variety of public, private, and nonprofit organizations have contracted for ULI's Advisory Services.

Each panel team is composed of highly qualified professionals who volunteer their time to ULI. They are chosen for their knowledge of the panel topic and screened to ensure their objectivity. ULI's interdisciplinary panel teams provide a holistic look at development problems. A respected ULI member who has previous panel experience chairs each panel.

The agenda for a three-day panel assignment is intensive. It includes an in-depth briefing composed of a tour of the site and meetings with sponsor representatives; interviews with community representatives; and one day for formulating recommendations. On the final day on site, the panel makes an oral presentation of its findings and conclusions to the sponsor. At the request of the sponsor, a written report is prepared and published.

Because the sponsoring entities are responsible for significant preparation before the panel's visit, including sending extensive briefing materials to each member and arranging for the panel to meet with key local community members and stakeholders in the project under consideration, participants in ULI's five-day panel assignments are

able to make accurate assessments of a sponsor's issues and to provide recommendations in a compressed amount of time.

A major strength of the program is ULI's unique ability to draw on the knowledge and expertise of its members, including land developers and owners, public officials, academics, representatives of financial institutions, and others. In fulfillment of the mission of the Urban Land Institute, this Advisory Services panel report is intended to provide objective advice that will promote the responsible use of land to enhance the environment.

ULI Program Staff

Marta V. Goldsmith
Senior Vice President, Community/
Education Provost

Thomas W. Eitler
Vice President, Advisory Services

Matthew Rader
Manager, Advisory Services

Caroline Dietrich
Panel Associate, Advisory Services

Gwen McCall
Senior Administrative Manager, Community

Nancy H. Stewart
Director, Book Program

Kimberley Todd
Manuscript Editor

Betsy VanBuskirk
Creative Director

Martha Loomis
Desktop Publishing Specialist/Graphics

Craig Chapman
Director, Publishing Operations

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The panel extends thanks to everyone else who prepared the briefing materials, organized the interviews, and supported the panel's work on site. Everyone the panel met provided great insights and offered a glimpse into the community spirit that makes the Martis Valley a great place to live, work, and play.

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ULI Panel and Project Staff

Panel Chair

Leigh Ferguson
Senior Developer
Bayer Properties
Birmingham, Alabama

Panel

Janine Cuneo
Project Director, Terwilliger Center
Urban Land Institute
Washington, D.C.

Tom Gardner
Senior Associate
EDAW Denver
Denver, Colorado

Gregory Melanson
Senior Vice President
Bank of America
Washington, D.C.

Betsy Nahas Wilson
Assistant Project Manager
BRIDGE Housing Corporation
San Diego, California

ULI Project Staff

Heidi Sweetnam
Vice President, Community Outreach

Renee Pean
ULI Graduate Student Intern

Foreword: The Panel's Assignment

The Martis Valley is located in Placer County, California, in the central Sierra Nevada Mountains near Lake Tahoe. The Lake Tahoe area straddles the California/Nevada border and includes Truckee, California and Reno, Nevada. The area's stunning scenery, extensive recreational amenities, and great climate attract seasonal residents and visitors from across California, Nevada, and beyond. The region's economy relies on tourism, focusing on golf, biking, and winter skiing, as well as gaming in nearby Reno, Nevada.

The Martis Valley continues to experience intense housing growth. Its development is one of the biggest land use and growth issues in the Sierra. Currently, Placer County is planning more than 6,000 new houses in subdivisions stretching from Truckee to the Tahoe Basin.

The Martis Fund

The Martis Fund is a nonprofit organization established in March 2006 through a landmark agreement between conservation groups and DMB/Highlands Group LLC, a developer. The Fund's board of directors includes representatives of Mountain Area Preservation Foundation, Sierra Watch, and DMB/Highlands Group LLC.

The Fund's originating agreement set aside the 280-acre Hopkins Ranch site for open space and workforce housing. It also established a one percent conveyance fee on the sale and resale of properties on the Siller Ranch site (now known as Martis Camp) to support habitat and forest restoration, conservation, and workforce housing. Hopkins Ranch offers 52 acres of developable land. Fifty workforce housing units are currently being built by DMB/Highlands Group and 42 acres remain for additional workforce housing development.

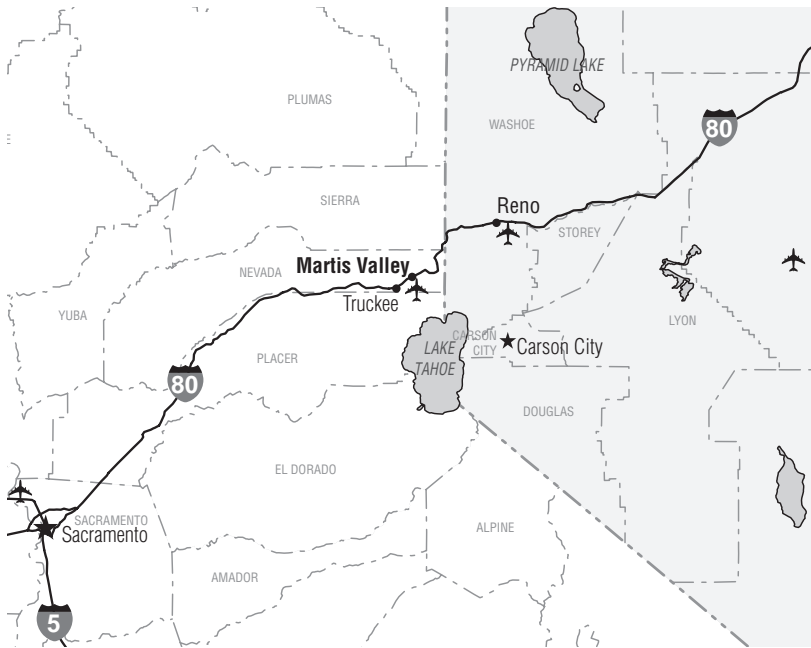


Location map.

Hopkins Ranch Site History

Hopkins Ranch is a 280-acre site that was originally part of the Tahoe National Forest (TNF). The Joerger family acquired the site through the Hopkins Land Exchange, an agreement between the family and TNF. In 2000, DMB/Highlands Group acquired the site and planned 65 single-family home sites, an 18-hole golf course, and open space with connections to the regional trail system. Placer County approved the master plan in 2004.

In 2006, DMB reached an agreement with the Mountain Area Preservation Foundation and Sierra Watch to break Hopkins Ranch into three



Regional map.

separate parcels. DMB/Highlands Group retained one parcel, now known as Hopkins Village, and transferred a 42-acre workforce housing parcel and the Hopkins conservation parcel to the Martis Fund. Placer County approved development of a 50-unit Hopkins Village workforce housing community in 2007.

The Panel's Assignment

The Martis Fund asked the panel to explore development strategies for the workforce housing parcel and identify creative workforce housing development options that will also strengthen the community. The panel met in the Martis Valley September 22–25, 2008. This document details the panel's recommendations.

The Martis Fund posed the following questions to the panel:

- Given the mission of the Martis Fund, what is the best way to leverage Martis Fund resources, including land and transfer fees, to create a world-class workforce housing project that serves the community needs?
- What is the appropriate target market for workforce housing on the 42-acre site based on

its attributes, including the site's location and demand for such housing?

- What are the cutting edge design options for the site, including number and type of unit, physical layout, and inclusion of services (e.g., limited commercial, community room, child/senior care, etc.)?
- What are the management options for the Martis Fund's workforce housing project that make it capable of sustaining its affordability over time for the targeted market?
- What are the options for the Martis Fund's next steps for project implementation (e.g., RFQ/RFP for builder partner or other approach)? Would such a builder partner be expected to bring resources to the table and if so what? What should be the Martis Fund board's role in the process going forward? What are the options for public outreach in the process?
- What green design and building practices should be included in this project?

Summary of Recommendations

The panel sees a great opportunity for the Martis Fund to create a unique workforce housing project that strengthens the community and overcomes hurdles found in existing workforce housing projects. The panel recommends developing at least 200 family-oriented residential units in a series of phases. The units should be attractive to year-round employees and be managed under a flexible model that can adapt to evolving employee needs. The panel also recommends creating a land trust that will enable the Martis Fund to retain ownership and control of the land. The development should follow environmentally sensitive design practices and maintain open space.

Most importantly, the panel recommends directly engaging the employers who will benefit from the increased availability of workforce housing in financing and developing the project. The panel cautions that development of the Hopkins Ranch parcel cannot solve the valley's workforce housing problems. However, the development can establish a new model that could lead to an employer-driven, regional workforce housing solution.

Market Potential

Communities build workforce housing to retain middle-class families. These middle-class families anchor communities and keep them vital. They contribute to strong schools, retail services, and use medical, legal, and other service providers. Without workforce housing, middle-class families may respond to increasing housing prices by seeking other housing options outside the community. Losing middle-class families reduces the support for these basic services and hollows out a community's core.

In the Tahoe Basin, demand from second home buyers and vacationers has increased housing prices beyond the reach of many middle-class families. The panel heard that more than 90 percent of local households cannot afford the median housing price in Truckee. Some families have responded by relocating to Reno and exchanging a longer commute for more affordable housing, better schools, and accessibility to a greater variety of basic retail services.

The higher cost of living in Truckee also makes it harder for employers to attract and retain employees. The panel heard that local employers must pay higher wages and may even need to provide transportation and housing assistance. Even with these benefits, employers may still struggle to find employees who can afford to live locally. Despite their common challenge, the panel found that employers are reluctant to provide leadership for a coordinated workforce housing effort.

On a positive note, many local leaders seem to understand the problem. During the interviews, local residents expressed concern that increasing housing prices will continue to weaken local schools and the local economy over the long-term. Many local government leaders, employers, residents, and second home owners told the panel that Truckee needs to retain a diverse mix of income groups to remain a vibrant, year-round community.

The panel encourages the creation of a comprehensive study of workforce and affordable housing needs throughout the region. The comprehensive study should help focus in on the markets most in need of housing. Based on this study, the sponsor could tailor future phases of the project to address specific market segments. However, the panel found that there is already demonstrated demand for the type of housing recommended in this report without further study.

Existing Workforce Housing

The Martis Valley already offers for-sale and rental workforce and affordable housing options though the following major projects include.

- Sawmill Heights is located in the Village at Northstar and provides 96 dormitory-style rental units. Local workers do not need to meet any income qualifications. Employees who work outside the Martis Valley must earn less than 120 percent of the area mean income (AMI). (AMI is derived by estimating the median family income in a geographic area in the current year and adjusting that amount for different family sizes so that family incomes may be expressed as a percentage of the area median income.)
- Henness Flats is located at Gray's Crossing in Truckee and offers 92 two- and three-bedroom income-restricted rental units. The town of Truckee, Pacific West Communities, and East West Partners jointly developed the project.
- Frishman Hollow is on Rue Ivy in Truckee, near Henness Flats, and contains 32 income-restricted rental units for families. The planned second phase will offer affordable for-sale and rental units.
- Spring Creek is a partially completed, 30-unit project located in Truckee. The project will

offer two- and three-bedroom affordable for-sale duplex units expected to sell for approximately \$300,000 to families earning 120 percent of AMI. Due to the project's popularity, the developer will hold a lottery to select the final homebuyers. Homes will first be offered to Pioneer Commerce Center employees and then Truckee residents.

- Stoneridge, in Truckee, is nearly complete and will offer 76 for-sale townhouses. Eleven units will be affordable to households earning 80 percent or less of AMI and will be priced around \$188,000.

Understanding the Challenge

Although many employees cannot afford housing in the Martis Valley, Reno and other adjacent areas offer attainable housing at market rates. Therefore, the Martis Valley does not yet face an acute housing shortage. Although the community has inclusionary zoning and workforce housing, many households prefer to buy affordable, clean, safe, unrestricted houses outside the catchment area. As middle-class families continue to relocate, the community's economic and civic vitality face an acute crisis. To succeed, the community must build workforce housing that entices employees to remain in the community even if they have other housing options.

Through the interviews, the panel learned that Reno, Nevada offers Truckee's strongest competition for middle-class homeowners. In Reno, employees can affordably purchase market-rate homes free of workforce housing deed restrictions. Reno offers a reasonable commute to jobs in the Martis Valley, bigger, more affordable housing, a better school system, and convenient access to basic retail. In fact, Truckee residents must drive to Reno for basic retail services.

Market-rate rental housing remains affordable in the local market. Market rents in the region appear to be affordable for people earning 100 percent of AMI and above. However, the stock of market-rate rental housing appears very limited. The community may be able to retain middle-class families by increasing the supply of market-rate rental housing and creating a first-time home buyer education program that encourages renters to save toward the purchase of an unrestricted home.

Identifying the Market

Successful workforce housing must address the needs and demands of a specific target market to be financially feasible. The panel struggled with the lack of market research on workforce housing demand and need in the Martis Valley. In addition, the panel heard that some existing affordable for-sale and rental housing developments remain

Figure 1
Deed-Restricted Housing Tradeoffs



vacant for want of qualified buyers. At the same time, community members expressed a need for more workforce housing.

If the community member's observations are accurate, the current workforce housing options do not meet the needs of the target market. The panel believes that income and deed restrictions discourage families from buying the existing workforce housing. Many middle-income families have two incomes and exceed the established income limits.

Other families opt to purchase more affordable, market-rate housing in Reno rather than purchase deed-restricted homes in the valley. They accept a longer commute in exchange for freedom from deed restrictions. Because many people invest in their home as their single biggest financial asset, they prefer to avoid resale limitations that cap their equity share. Reno's market-rate housing offers a feasible option to acquire a market-rate house and still work in the Martis Valley.

Despite Reno's popularity, the panel heard that some people have no interest in commuting from Reno but cannot afford houses in the region. These people are the target market for workforce housing. Successful development will serve the needs of this group.

The panel recommends learning about the target market by studying Hopkins Village and Reno, two places where workers in the Martis Valley have selected to invest. From Hopkins Village, the sponsor can learn the demographics and preferences of employees currently invested in workforce housing. From Reno, the sponsor can learn

what types of housing and amenities local residents demand. The panel recommends pricing homes comparably to Reno, rather than based on AMI.

The panel also feels that the sponsor should consider developing other housing options, beyond traditional workforce housing. The panel feels that there may be an opportunity to serve the target market with market-rate, high-end rental housing or secondary dwelling units with for-sale homes. Secondary dwelling units will help homeowners afford more house by providing additional income and also provide rental housing for other parts of the workforce

In order to compete with Reno, workforce housing in the Martis Valley may need to minimize deed restrictions. The panel recommends a land trust model to meet this goal and preserve affordability. Under this model, the Martis Fund or its successor will continue to own the land and homeowners will own the improvements. Homeowners will hold long-term ground leases for the land and the Martis Fund or its successor will have control over future sales prices through the lease.

Planning and Design

The sponsor asked the panel to develop design strategies for the 42-acre workforce housing site. Development of the workforce housing parcel will need to be sensitive to existing conditions, including neighboring developments.

The panel recommends integrating the project with adjacent developments. Most importantly, the project should share a cohesive design with Hopkins Village, an adjacent ten-acre workforce housing project currently under development. The two projects should complement one another and the surrounding natural and built environment. The project's design should emphasize connectivity to the current Hopkins Village development to mitigate peak hour traffic conditions and tie the developments together into one community.

Site Constraints

The Martis Fund agreement limits the height of development to 22 to 35 feet, depending on location, and places other design requirements. The panel believes that all these requirements are reasonable and appropriate. Regulations related to the Truckee airport, just north of the site, should have little impact on the planned development.

The project's design should also respond to sensitive natural features. The most prominent natural feature is a wetland stream that is subject to regulation by the U.S. Army Corps of Engineers under the Clean Water Act. The stream causes setbacks from the river to fall 100 feet from the wetland. The wetlands divide the site into north and south sections and 30 percent slopes also cover a small portion of the site and limit development opportunities. The site features Jeffrey pines that should be protected in order to be sensitive to the site's environmental preservation.

The site also shares a roadway with the residences of Lahontan and Martis Camp. The design should preserve open space surrounding the site and maintain views to the road.

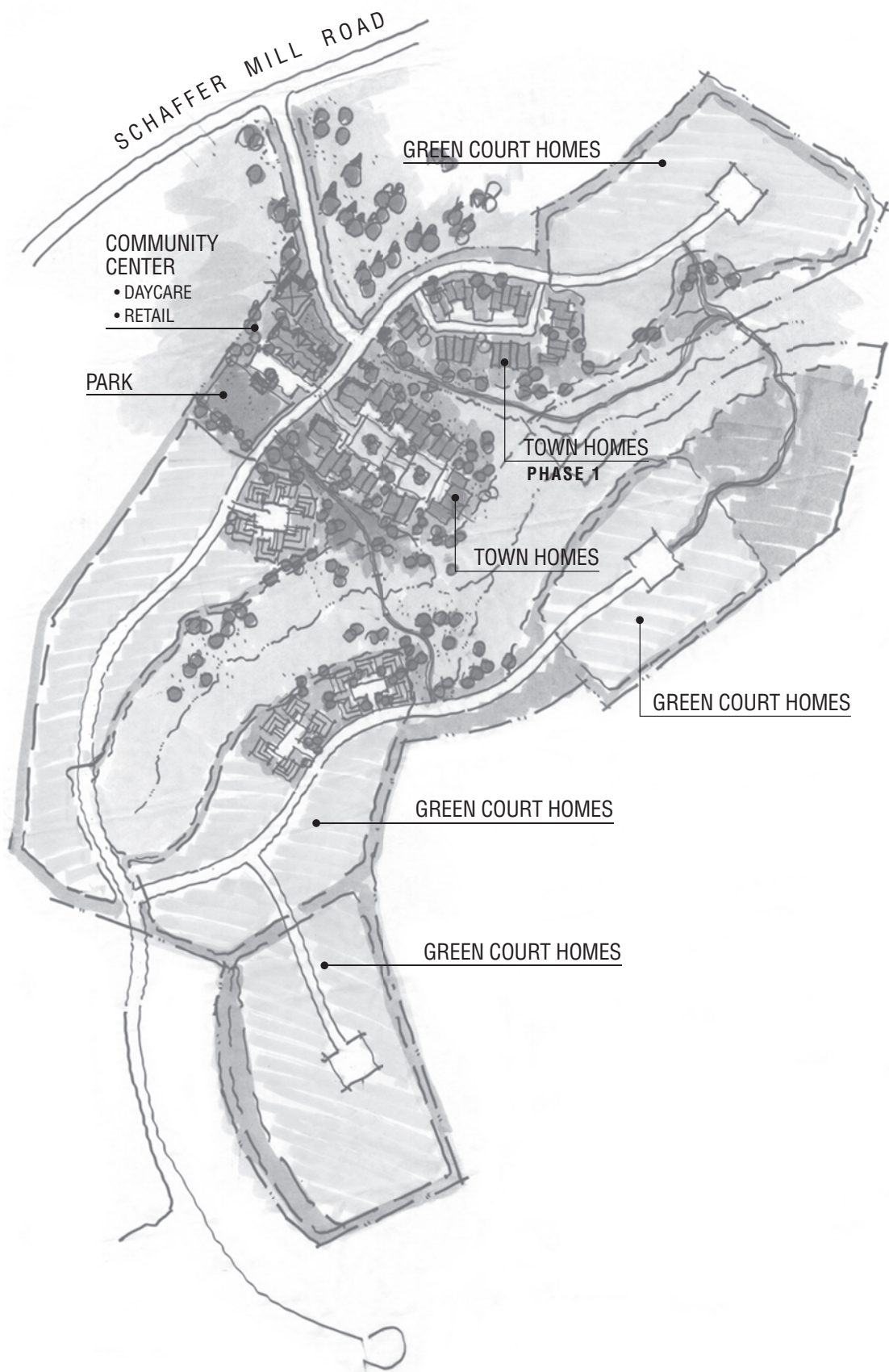
Design Strategies

The panel proposes a development of up to 200 family-friendly units. The housing units should be designed as for-sale housing for full-time, year-round employees and their families in order to compete with other housing options. The Martis Fund could also consider long-term rental, lease with option to purchase, or other tenures based on market demand.

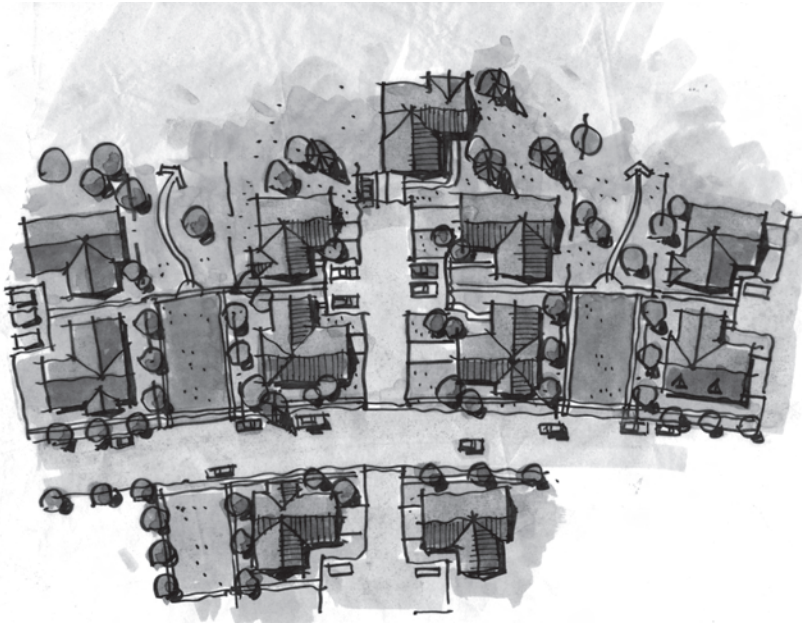
The proposed design will help create a sense of community and neighborhood by creating a sense of place and providing a mix of housing types. Good design will help make the community sustainable and help it become part of the overall Truckee community. The year-round employees of businesses located in the Martis Valley and surrounding area enjoy living in the mountainous region and should enjoy a design that complements it.

The design and site infrastructure must be ecologically sensitive and truly sustainable to protect the fragile ecosystems. The site ties into the regional ecosystem through the wetland system and other ecological corridors. Therefore, development should disturb the natural environment as little as possible.

The community's design should reflect cutting-edge sustainable development practices and be sensitive to the environment and open space. The panel recommends adopting a high green building standard, such as LEED for Homes. Sustainable development and green building standards will align the project with the Martis Fund's commitment to environmental conservation. Green build-



The panel's proposed site plan includes a community center and walkable neighborhoods.



Sample site plan for green court homes.

ings will also support long-term affordability by reducing energy and maintenance costs.

The project also needs a distinct sense of place to create the neighborhood environment that homebuyers often desire. The panel recommends anchoring the project with a central community center that could provide convenience retail, day-care, and other basic services within an easy walk of all housing units. The community center should be visible from the road and will serve as the project's public face.

The panel also recommends creating a carefully designed public realm. The project should include open spaces adjacent to residential areas. An open space network could allow the possibility of variance in the wetland and water quality mitigation.

The project's primary points of access should be connections to Schaffer Mill Road and Hopkins Village. Cul-de-sacs should only extend several hundred feet, per fire code and FAA over-flight zone. The area designated for development takes that into consideration. In addition, parking should be placed in alleys behind the houses to allow residents full front door access to their homes. Multimodal streets and walkability should also be a goal, with the resulting possibility of an open space network of trails that could connected the clusters of community.

Housing Products

The panel recommends developing the project with only two housing types—green court homes and townhouses. Limiting the number of housing

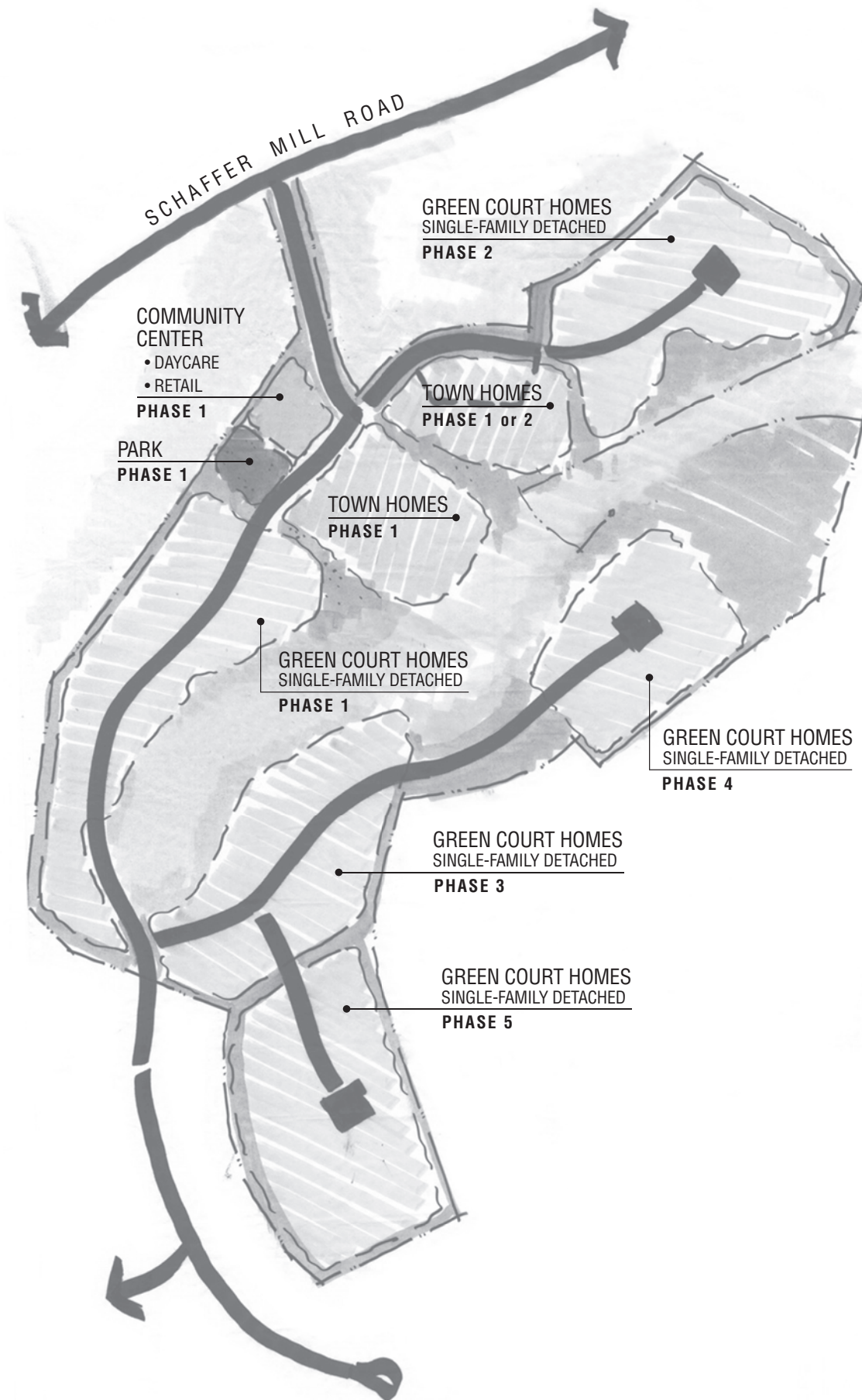
types will limit development costs by increasing construction and management efficiencies. Both housing types should be designed for long-term family occupancy and could be marketed as for-sale or long-term rental. The unit types should also be diverse and promote usable densities. The panel recommends building 25 percent of the units as townhouses and 75 percent as green court homes.

Townhouses will provide a highly walkable, medium-density housing option. They should be located in the middle of the site to provide convenient, walkable connections to the community center and open spaces. Townhouses will be built at densities of 10 to 15 duplexes per acre and will not be taller than 35 feet, with the possibility of ground-trenched parking at a sunken ground level. The houses will face the street with tuck-under parking facing the alley.

Green court homes will be lower density, approximately five to eight units per acre. They will offer pooled garage spaces and no garages will face the street. The units will face green courtyards faced by buildings ranging in width from 40 to 60 feet. The green courts will help create a sense of community and provide neighborhood open space.

Phasing

The panel recommends that the project develop in phases to respond to changing market demand and experiences in previous phases. The panel's proposed design offers green fingers that correspond to the development phases. Phase one includes the community center, a small community park, townhouses, and single-family detached green court homes. Phase two creates most single-family detached green court homes in the site's northeastern area. Phase three expands development south of the wetland waterway. Phase four creates more single-family detached green court homes to the east. Phase 5 develops single-family detached green court homes east of Hopkins Village and creates a visual and physical proximity link to the neighboring community.



The proposed plan enables phased development to respond to evolving market needs.

Development Strategies

The project will benefit from a flexible development program that addresses the need for workforce housing and overcomes the limitations of traditional affordable and workforce housing options. The project also needs a unique management model that remains flexible and adaptable to employer needs. Most importantly, development should reflect competitive housing options in Reno and avoid onerous deed restrictions.

The panels' proposed land trust model will reduce the need for traditional deed restrictions. Under this model, the Martis Fund board will remain actively involved as the land owner. Several financing arrangements will need to be developed and directly involve employers who will benefit from the production of more workforce housing.

Potential Funding Sources

The project will require investment from diverse public and private sources. The accompanying graphics show the panel's recommended breakdown of costs, funding sources, and end financing.

The panel does not recommend pursuing public funding sources. Although many federal, state and local public funding sources provide valuable resources for the development of affordable and workforce housing, the panel does not recommend pursuing these as primary sources for the proposed project. The primary reason is that these programs' requirements are incompatible with the proposed development and would not allow the project to serve households with incomes over 60 percent to 120 percent of AMI. The panel believes that the project should not use income restrictions but should instead use the land trust model to retain affordability.

The panel recommends attracting engaged and motivated private partners to contribute necessary resources for up-front development costs

and to support the households who will live in the community. The following sections discuss major sources of private capital.

Land

The value of the raw, 42-acre site is a significant and valuable contribution to the project, given the limited availability of desirable sites in the region.

Martis Fund Workforce Housing Program Conveyance Fees

The conveyance fees offer a current balance of \$380,000 and projected perpetual average contributions of \$150,000 per year over the long term. The conveyance fees for workforce housing support are .25 percent on the sale and resale of 650 housing units in the Martis Camp site. The fee is included in the covenants on the subject properties.

The accumulated balance of conveyance fees offers a flexible capital source that can cover up-front project costs, replenish capital or reserve accounts, support organizational and management infrastructure, provide down payment assistance or other subsidies for buyers of for-sale units, or be pledged to construction lenders to induce financing. Due to the uncertainty of the flow of funds, it will be challenging to leverage the stream of funds.

Private Workforce Housing Investment Funds

Many socially motivated equity funds could provide support for the project. Such funds include Enterprise Community Investment, Crossbeam Capital, Genesis Workforce Housing Fund, and CCRC Workforce Housing Fund. Related funds include state pension funds, such as CALPERS and CALSTERS. The challenges with these funds are the required market returns (12 percent to 15 percent), geographic limitations, and maximum AMI targets of 120 percent. The ability of these funds to continue to attract investors in today's credit environment is also a question.

Figure 2
Development Capital Uses

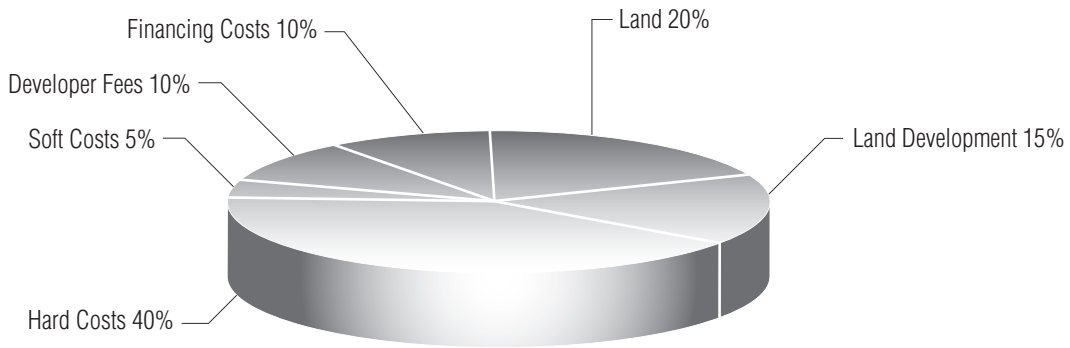


Figure 3
Development Capital Sources

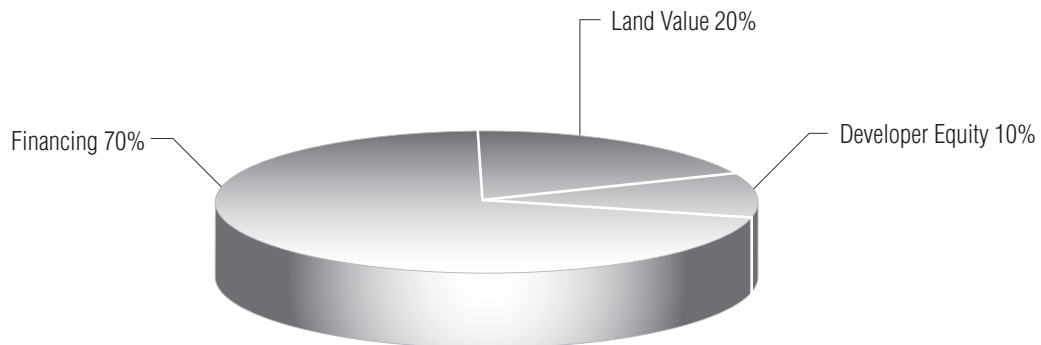
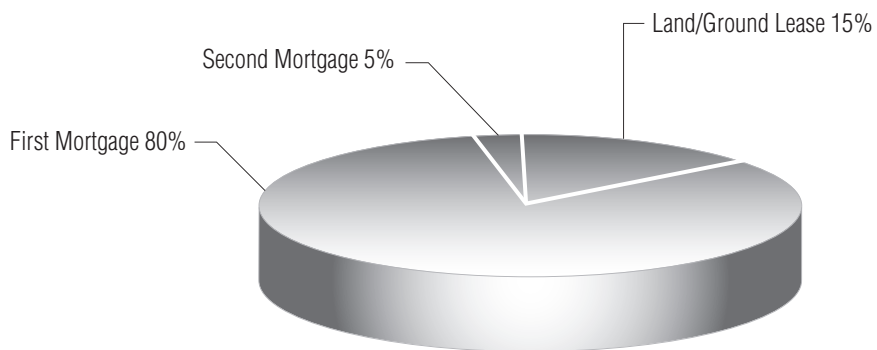


Figure 4
End Buyer Loan Breakdown



Employer-Based Contributions

The Martis Fund board could engage employers in financing the project. The employers could make equity contributions during the development stage and remain in the project through completion. Upon completion, their equity contribution could be converted to employer-based contributions to individual employees to facilitate the purchase of individual homes. Securing employer contributions will require marketing and outreach to major employers in the proposed catchment area. The proposed equity contributions could be structured as investments with return of capital and limited (lower than market) return on capital.

Bank Financing

The Martis Fund board could pursue traditional bank financing for development and construction costs. The financing would be secured with the land and improvements. The construction lender will require sufficient developer equity contributions and guarantees of payment and completion by experienced and well-capitalized sponsors.

Bond Financing

Issuing municipal private activity bonds is another option for the construction and permanent financing of multifamily rental housing. If the Fund elects to include a portion of income-restricted units, tax-exempt bond financing is an option. This option would lower the financing cost which would in part subsidize the inclusion of affordable units. This option is gaining popularity in high cost markets by including 20 percent affordable units (60 percent AMI). With this structure, in addition to the tax-exempt financing, the project receives additional subsidy in the form of low income housing tax credits. Although issued by state or local governments, bond financing is underwritten and funded by private banks or investors.

Addressing Capital Markets Challenges

The country is experiencing an unparalleled crisis in both the housing and financial markets. In most markets, home values are decreasing and foreclosure rates are increasing. The federal government

has had to rescue many large and stable financial institutions, including Fannie Mae and Freddie Mac. As a result, developers face difficult challenges in obtaining financing for real estate development, especially for-sale housing. Those financial institutions still actively lending now require much more conservative loan terms and greater interest rate spreads. In addition, home buyers also face many changes in the mortgage market. Buyer support programs must not complicate the home buyer's ability to secure an affordable and conforming mortgage loan.

Infrastructure development will be the most challenging type of development to finance in today's environment. Most banks will not finance site improvements without collateral beyond the value of the improved land. The Martis Fund will need to leverage existing lending relationships to secure financing.

The panel recommends limiting these challenges by pursuing private financing sources for infrastructure development, anticipating significant (80 to 100 percent) pre-sales requirements for for-sale product, especially in the first phase, and securing permanent financing along with construction financing on rental housing.

Implementation

The panel recommends that the Fund create a Martis Valley Employee Land Trust and Mortgage Fund (Trust) to coordinate the project. The Trust would own the land, oversee its development, and coordinate existing workforce housing resources to benefit the project. The Trust would build on the Fund's strengths—a diverse board, strong relationships with employers, dedicated land for workforce housing, and a dedicated revenue stream.

The panel recommends that the Trust's board of directors include the board of the Fund and also key employers in the region. The Trust can benefit from the extensive network of local employers who understand the magnitude and complexity of workforce housing challenges. In addition, the Trust should engage a wide range of community stakeholders interested in workforce housing

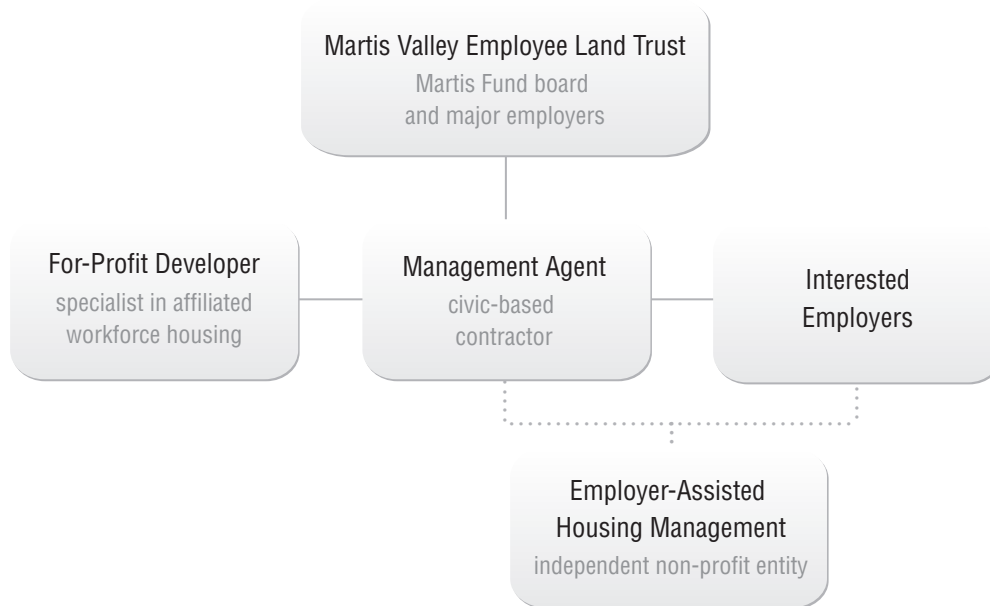
issues, including employer organizations, for-profit developers, and nonprofit entities.

The Trust would manage the workforce housing effort and coordinate resources. The panel recommends hiring an affiliated workforce housing developer, experienced with building workforce housing for universities and other organizations, to develop the project. The Trust would coordinate existing resources, including homeowner counseling and financial assistance, to benefit the project. The panel does not recommend a non-profit developer due to the income range that the project should serve.

Guiding Principles

The Trust should function under three overall guiding principles: it should remain flexible, it

Figure 5
Martis Valley Employee Land Trust Organizational Chart



should be inclusive, and it should take advantage of time and phasing.

Remain Flexible

The Trust should avoid the rigid boxes of government programs and AMI restrictions. This flexibility will allow it to develop housing that serves the actual needs of employees in the region.

Be Inclusive

The Hopkins Ranch project can lay the groundwork for employers to work together to create a concentrated, consolidated workforce housing solution. The project must link the need for workforce housing to the community's ongoing economic development to create a compelling case and establish a successful model.

Take Advantage of Time and Phasing

Time is not a constraint. Phasing will provide opportunities to learn from successes and failures and also to work through current financial market challenges. Each phase should innovate based on the results of the preceding phase.

Next Steps

In establishing the next steps for the Hopkins Ranch project, the Fund should establish a site plan, determine infrastructure needs, create the Trust, and create an action plan.

Establish Site Plan

The Fund should establish a site plan for Hopkins Ranch to guide development efforts. This site plan should integrate Hopkins Ranch with the Hopkins Village project, protect open space, and lay out phases.

Determine Infrastructure Needs

The Fund should explore the infrastructure required to support development at Hopkins Ranch and determine the costs. Infrastructure costs may be difficult to finance in the current market, but they must be addressed before other development begins.

Create the Trust

The Trust will take ownership of the development parcel and provide guidance for the project's development and management. The Trust should capitalize on the Fund's community connections to bolster its outreach abilities. The panel recommends that the Trust's board include the Fund's board members and high-level representatives from major employers in the region. In order to maintain a high level of community engagement the Trust should tailor outreach campaigns with messages sensitive to the needs and interests of different groups.

The Trust must build strong relationships with employers and demonstrate how their investment in housing can directly increase their business capacity and enhance their bottom line. The message to employers should highlight the role of workforce housing in improving employee retention; reducing recruiting and training costs; providing a competitive benefits package; reducing commutes, stress, and absenteeism; providing federal tax benefits; and encouraging community reinvestment.

In this land trust model the Trust will own the site in perpetuity, maintaining long-term affordability without onerous deed restrictions. In addition, the Fund will retain control over the site's long-term development and management. Although the land will not be tax-exempt property under this model, local government could apply special taxing applications to support workforce housing goals.

The Trust should champion an employer-assisted housing program that can address workforce housing needs beyond Hopkins Ranch and establish a corresponding nonprofit entity.

Create an Action Plan

After forming a board, the Trust should lay the foundation for success by hiring staff, building key partnerships, raising capital, building ownership criteria, and building mortgage criteria. The panel recommends selecting a champion to lead each of these steps.

Hire a management agent. The panel recommends hiring a civic-minded independent contractor to manage the Trust's activities. The management

agent should understand the home ownership process and be able to leverage the board's connections to engage the business community, employers, and local housing community leaders in the Trust's activities.

Build key partnerships and relationships. The Trust must establish strong partnerships with its key investors—community stakeholders and employers—to build a strong foundation for its program. To this end, the Trust should:

- Gain commitment from employers to provide assistance for their current employees and/or hold housing units for future staffing needs;
- Secure employer investment in a low-yield fund; and
- Increase the financial contribution of interested community stakeholders by creating opportunities for these stakeholders to invest in the project and gain a tangible return on their investment.

Raise the capital. The Trust should create clear, concise language and collateral materials that target the self-interest of the groups of people who will invest in the project.

Build the ownership criteria. The Trust must establish ownership criteria for employee-sponsored households and for middle income households not served by other programs. For for-sale homes, the workforce housing should be sold to first-time buyers, or buyers from outside an extended catchment area. Buyers should be required to maintain the homes as owner-occupied, year-round primary residences. For rental properties, the units should offer a mandatory two-year lease and must be rented only to households who currently live outside the extended catchment area.

Build the criteria for down payment assistance and second mortgages. The Trust should identify preferred lenders and support services to assist in the homeownership process. Support services should include home ownership counseling and home

buying programs. For for-sale units, assistance should help subsidize down payments, provide contributions to second mortgage pools and mortgage guarantee programs, and help cover closing and financing costs. For rental properties, assistance should support security deposits and rental payments.

Management Responsibilities

The Trust board will be responsible for oversight, policy, and fundraising. The board must begin by hiring an expert in homeownership issues who will lead the staff and engage local employers and housing policy organizations in this effort. With staff in place, the board will oversee the development agreement and the Trust's relationships with developers. The board will also approve the criteria established for ownership, employer-assisted housing programs, and other policies. Finally, the board must take leadership in implementing the outreach efforts and raising capital from employers and community stakeholders.

Employers will also take a major role as the investors and important beneficiaries of the Trust's programs. Major employers will play an important role as up-front investors and board members. All employers will help by providing silent second mortgages and down payment assistance, and also by identifying employees for units.

Finally, the management agent will manage the organization's day-to-day operations and will structure the board's time to maximize its efforts and strategic goals.

Conclusion

The Hopkins Ranch project offers a tremendous opportunity to create a world-class workforce housing project and create a sustainable vehicle to produce workforce housing in the region. The Martis Fund should take advantage of the opportunity to create a new workforce housing model that will overcome some of the unique local challenges and create a housing solution attractive to a wide range of middle-income families.

Organizing the proposed land trust will create a critical tool to enable the Fund to retain affordability without creating onerous deed restrictions.

The land trust will also help the Fund maintain a long-term stake in the management and development of the site.

The panel also feels strongly that all development on the site should adopt sustainable development and green building standards. This will make the project consistent with the Fund's commitment to conservation and the environment.

About the Panel

Leigh Ferguson

Birmingham, Alabama

Ferguson is a senior developer with Bayer Properties in Birmingham, Alabama. His primary duties include operating the residential and mixed-use real estate development and management division that focuses on urban mixed-use community development projects in Birmingham's revitalizing Center City. Ferguson also managed the Sloss Real Estate Group's participation as a joint venture partner in a \$100 million dollar HOPE VI, mixed-income residential development that is currently entering its third phase.

Prior to joining Sloss, Ferguson was the president of Corker Group, Inc., where he managed approximately two million square feet of office, commercial, and industrial properties; supervised all leasing, administrative, maintenance, and financial operations; and prepared monthly and annual business plans, budgets, and reports to ownership.

From 1991 to 1999, Ferguson was president of Chattanooga Neighborhood Enterprise, Inc. (CNE). At CNE, Ferguson managed lending, development, financing, and property management functions of approximately \$30 million per year.

Previously, Ferguson was president and chairman of John Laing Homes, Inc. and vice president of development for both the Van Metre Company and the Winkler Companies, all in the Washington, D.C. area.

Ferguson studied chemistry and mathematics while at the University of North Carolina-Chapel Hill and completed graduate level studies in investment management and real estate from George Washington University. Ferguson is a full member of ULI and a vice chair of the Affordable Housing Council.

Janine Cuneo

Washington, D.C.

Cuneo is project director at ULI's Terwilliger Center for Workforce Housing, a new ULI initiative whose goal is to measurably increase the production of workforce housing by the private sector. In this capacity, Cuneo is leading the Terwilliger Center's Washington, D.C. metro region pilot market by recruiting and managing over seventy volunteer professionals, designing and developing local workforce housing initiatives, and engaging partners and employers in the effort.

Cuneo has been working in housing and community-based development industries for the past ten years. She has served as presidential management fellow for the long-term recovery efforts in the post-Hurricane Katrina Gulf Coast for the U.S. Department of Housing and Urban Development to develop policy guidelines, supply technical assistance, and provide regulatory oversight of the state-level housing recovery programs.

Additionally, she administered more than thirty grants for eight jurisdictions in northern and central California as a community development specialist for Mercy Housing California, a national nonprofit affordable housing developer and services provider, focused on affordable housing strategies and programs. Finally, as executive director for Andre House of Hospitality, a homeless services provider in Phoenix, Arizona, Cuneo led, developed, and managed all on-site operations, including supervising direct services for the homeless and procuring grant funding.

Hailing from northern California, Cuneo earned an MBA from the University of Notre Dame and a master's degree in regional planning from Cornell University, both with high honors. She has utilized her research skills in a Harvard University funded Inclusionary Housing Study and in a study

titled “Monetizing the Effects of Regulatory Barriers on Affordable Housing” jointly funded by the U.S. Department of Housing and Urban Development and Rutgers University’s Center for Urban Policy Research.

Tom Gardner

Denver, Colorado

Gardner is a registered landscape architect and urban designer with 14 years of experience. He has worked as lead designer/project manager, directing multidisciplinary teams through the design and construction process on a variety of project types, including urban parks, transit-oriented developments, retail destinations, urban streetscapes, and resort hotels. He has a comprehensive understanding of regional context, environmental and cultural surroundings, and their influences on design. Gardner is currently working on his masters in urban design at the University of Colorado Denver, where he is focusing on transit and mixed-use designs as well as urban infill type developments.

Gardner is a senior associate with EDAW, an idea-driven planning, design, and environmental firm that has offices worldwide. Located in the Denver office, his clients include a variety of public municipalities and private development firms.

Gregory Melanson

Washington, D.C.

Melanson is the community development executive for Bank of America’s Atlantic Region. He leads a team of real estate professionals that provide project finance and comprehensive financial solutions for a broad array of clients, including those focused on affordable housing and economic development. With offices from coast-to-coast, Bank of America is the largest provider of commercial real estate financial services in the country.

In addition to his current position, Melanson is a member of the company’s Environmental Governance Council for Commercial Real Estate.

During his 24 years with the company, Melanson has held a variety of leadership roles in community development and commercial real estate lending. Prior to assuming his current position, Melanson served as executive for the bank’s tax credit equity unit.

A native of Altoona, Pennsylvania, Melanson earned his bachelor of arts degree in business administration from Loyola College in Baltimore, Maryland. He also earned a masters of business administration from George Washington University.

Melanson serves on the board of directors of GreenHOME, a nonprofit organization dedicated to demonstrating and promoting affordable, sustainable design, construction, and landscape practices for homes and communities throughout the Washington, D.C. area. He also serves on the board of directors of the National Equity Fund, a nonprofit syndicator of affordable housing and new markets tax credits.

Active in the community, Melanson is a member of the U.S. Environmental Protection Agency National Environmental Justice Advisory Council. He serves on the loan review committee for Raza Development Fund, a subsidiary of National Council of La Raza which is the largest national Hispanic civil rights and advocacy organization in the United States. Melanson also serves on fundraising committees for MANNA, Inc., a nonprofit developer and provider of homeownership education, and N Street Village, Inc., a community organization serving the needs of homeless women in Washington, D.C.

Betsy Nahas Wilson

San Diego, California

Wilson is a project manager with BRIDGE Housing Corporation. Based out of San Francisco, with offices in San Diego and Los Angeles, BRIDGE is one of the largest developers of affordable housing in the nation. Wilson manages BRIDGE’s developments in northern San Diego County, Orange County, and the Inland Empire. Prior to joining BRIDGE in 2004, Wilson worked on acquisitions for Boston Capital, one of the leading syndicators

of the Low Income Housing Tax Credit. There she syndicated Tax Credit projects in New York and the southeast, including Florida, Louisiana, Georgia, Texas, and Virginia.

Wilson's primary focus is on financing affordable housing projects and she has a detailed understanding of subsidy and loan programs available in the state of California. She holds a bachelor of science and engineering degree from Stanford University and a masters of engineering science degree from the University of Western Australia.



Urban Land Institute
1025 Thomas Jefferson Street, N.W.
Suite 500 West
Washington, D.C. 20007-5201



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