

**MINUTES OF CALLED WORKSHOP MEETING OF THE CITY
COUNCIL OF THE CITY OF LUFKIN, TEXAS, HELD ON THE
16TH DAY OF MAY, 1994 AT 9:00 A.M.**

On the 16th day of May, 1994 the City Council of the City of Lufkin, Texas, convened in a Called Workshop Meeting in the Council Chambers of City Hall with the following members thereof, to wit:

Louis A. Bronaugh
Don Boyd
Larry Kegler
Bob Bowman
Jack Gorden, Jr.
Tucker Weems
C. G. Maclin
Ron Wesch
Darryl Mayfield
Atha Stokes

Mayor
Mayor pro tem
Councilman, Ward No. 3
Councilman, Ward No. 4
Councilman, Ward No. 5
Councilman, Ward No. 6
City Manager
Asst. City Manager/Public Works
Asst. City Manager/Finance
City Secretary

being present, and

Percy Simond

Councilman, Ward No. 1

being absent when the following business was transacted.

1. Meeting was opened by Mayor Bronaugh.

2. **HOUSING COMMITTEE**

Mayor Bronaugh stated that Council has been working for some time on the housing problems of the City of Lufkin, whether it be through independent donations by individuals of the community, or by trust funds or the Community Development Block Grant Program. Mayor Bronaugh stated that the City has received two grants from the Community Development Block Grant Program and are currently working on a third grant application for housing rehabilitation within the community. Mayor Bronaugh stated that Council has been discussing a "housing organization", a committee of people dedicated to improving housing within the community.

Mayor Bronaugh introduced Oralía Cardenas, Manager-Monitoring and Economic Development of the Texas Community Development Program, who has worked with the City for the past nine years.

Ms. Cardenas introduced Wiley Hopkins, Single Family Manager, and Kelly Elizondo, Director of Special Projects.

Ms. Cardenas stated that the Department of Housing and Community Affairs, in cooperation with the Department of Commerce, submitted an application to HUD for some technical assistance funds. The CDBG received a \$250,000 grant to provide ten communities with technical assistance, that were designated as State Enterprise Zones, and Lufkin was one of the ten cities. Ms. Cardenas stated that in December a resource team came to Lufkin and in January a report was furnished to the City staff regarding the findings of their visit in December, (The Resource Team Report is included in the Councilmember's packets). Ms. Cardenas stated that Lufkin was the first of the ten cities the team visited and also the first city of the follow-up visits. Ms. Cardenas stated that the second year of the grant will concentrate on assisting those communities to accomplish at least one of the activities in the report. Ms. Cardenas stated that the City of Lufkin has selected a number of the recommendations in the report to pursue with the team's help. The City is

required to select one of the recommendations and housing was decided upon. Ms. Cardenas stated that the team is here today to assist Council and staff with the housing component part of the recommendations.

Ms. Cardenas stated that the goals that were established based on the Public Hearing in December were to retain/expand existing jobs, to attract/create new jobs, and to provide more affordable housing, primarily interim housing and housing for low-to-moderate income persons. Ms. Cardenas stated that there were recommendations made on job retention/expansion, job attraction/creation, and housing. The recommendation for housing was to develop a housing component within the city administration to identify housing needs and develop strategies to address the identified needs.

Ms. Cardenas stated that the information in the Councilmember's packets addresses several things; the report, and job descriptions that possibly could be utilized for a housing component in the City (these items will be addressed later by Kelly Elizondo). Included are also some sample by-laws of an affordable housing corporation and some program information.

Ms. Cardenas stated that the remainder of the year will be used to help accomplish some of the City's components they have selected in the report. Ms. Cardenas stated that she would suggest that the City of Lufkin apply for the Texas Capital Fund if there is a business that is interested in expanding or retaining jobs. Ms. Cardenas stated that there will be a Public Hearing in Austin on May 26 to discuss changes in the Texas Capital Fund, and an Application and Implementation Workshop for the Texas Capital Fund on June 17th at the Lufkin Civic Center.

In response to question by Mayor Bronaugh, Ms. Cardenas stated that the Texas Capital Fund is a CDBG Program - it is not a competitive process, but is a threshold where the business needs to come up with certain points for consideration on a first-come, first-serve basis. Ms. Cardenas stated that there is approximately \$14 million set aside for the Texas Capital Fund. Ms. Cardenas stated that she would like to encourage the City to apply for the Texas Capital Fund under the Small and Minority Business Loan Program (a \$120,000 maximum).

City Manager Maclin stated that the Mayor and City Council had expressed an interest and concern to see what could be done to encourage more affordable housing for home ownership in Lufkin. City Manager Maclin stated that this was the primary purpose of trying to see the potential utilization of a housing committee or a housing organization to try and address some of these issues. City Manager Maclin stated that one of the things that was discussed was trying to see what other cities and other communities had done, what innovative things could be implemented in the way of revision of zoning and subdivision requirements that would help encourage affordable housing. CMG stated that another thing that was discussed was utilization of City owned property and/or the use of some of the school property that is being attained through foreclosure of tax liens and perhaps utilization of some of this property for housing construction so that the cost can be reduced for the development aspect of new housing. CGM stated that basically what staff wants to do today is to ask the team that has come from Austin to share some ideas with us of things that the City Council can consider, when priorities have been set the next step would be for the City Council to appoint a Housing Committee and let that Housing Committee try to pursue some of the goals and objectives and implement some of the ideas that are suggested today. City Manager Maclin stated that possibly the Housing Committee would work closely with the Planning & Zoning Commission and the Community Development Department to find ways to make affordable housing become a reality, to see if there are ways that without sacrificing quality we can reduce the capital costs related to subdivisions for low-to-moderate income housing that would be affordable in a way that it has not been previously in Lufkin.

Mr. Elizondro stated that basically when you look at the Building Codes you try to

look at them as your community standard. Mr. Elizondro discussed different aspects of the Planning and Zoning Departments, the Building Officials Department and various other City departments that would be involved in the planning and implementing of affordable housing in a city. Mr. Elizondro stated that a Code Enforcement program must have a variety of tentacles to it, meaning that you build a house to a standard and then make sure that the tenants maintain it to that standard. Some cities address this by actually having an independent board that sits and hears presentations by staff citing specific problems. A board of citizens, appointed by the City Council, actually issues the orders, whether it is a demolition or repair order. Mr. Elizondro stated that another facet of this program included removing weeded lots, junked and abandoned vehicles, etc. from neighborhoods. Mr. Elizondro stated that all of this ties into housing from a prospective of the values being where they need to be so the financial people can get the appraisal they need in order to make a good investment.

Mr. Elizondro stated that at some point in time, based upon income, it becomes extremely difficult to be a homeowner.

Mr. Elizondro stated that involved in the cost of affordable housing will be the issue of labor and the cost of materials. Mr. Elizondro stated that affordable housing varies from city to city; in McAllen a house could cost \$40,000, El Paso \$50,000, in Austin \$45-60,000. Mr. Elizondro stated that if a person's income is approximately \$12,000 per year with some subsidy, an affordable house would be around \$40,000. Mr. Elizondro stated that he had seen very little tax abatement for low income housing ownership (generally during construction). Two things to be taken into consideration for low income housing are the ability of the homeowner to pay insurance and taxes on the home.

Mr. Elizondro stated that the homeownership opportunities can be accomplished through a City Department, a City Department who does the work for a non-profit, or a non-profit where the City Council appoints a group to run the housing program. Mr. Elizondro stated that included in the Councilmembers packets is a copy of the Corpus Christi Community Improvement Corporation Loan and Rehabilitation Handbook. The Corpus Christi City Council is the Corpus Christi Housing Improvement Corporation, where they sit as a non-profit group deciding what kind of programs that want to participate in (rehabilitation of existing housing units to demolition of old houses and replacing them with new housing to assist first-time home buyers with down payment assistance). Mr. Elizondro stated that the Corpus Christi City Council has also appointed a loan committee consisting of bank officers, CPAs, real estate agents, etc., with the City staff inspecting the buildings.

City Manager Maclin stated that the City of Lufkin is trying to achieve MSA designation and become a MSA City. The City of Marshall receives approximately \$600,000 a year as an entitlement City.

In response to question by City Manager Maclin, Mr. Elizondro stated that there are funds available on a competitive basis for the undeveloped subdivision the City owns. Mr. Elizondro stated the HOME Program would allow this type of development.

Mr. Elizondro stated that the point he would like to make to staff and the City Council is that the City can have a hybrid of all kind of things, depending upon what will serve the City the best. Mr. Elizondro stated that for those individuals who make less than \$10,000 a year, the City will have to deal with this from the prospective of what they can afford. (These are basically rental type of situations).

Mr. Elizondro stated that the CDBG is currently involved in some model programs or pilot subdivisions along the border with the help of the AFL/CIO Housing Investment Trust. They are using Section 8 Certificates which is a rental subsidy to create lease purchase situations. The Section 8 Certificate is used to pay the rent for

the first 15 years. At the end of the first 15 years the person is given the key to the house.

Mayor Bronaugh stated that the City has a program now where the bankers have created a pool for those members of the Main Street Program who wish to renovate their buildings. Mr. Elizondro stated that generally when a bank has a positive experience they will make the effort to stay involved with the program.

Wiley Hopkins, Program Manager for Housing Finance, gave an overview of some of the programs in his area. Mr. Hopkins stated that the Housing Finance Division is now made up of the Housing Trust Fund Department, Low Income Multiple Family, the HOME Program, and Single Family Bond Program. Mr. Hopkins stated that their "bread and butter" program is the first time homebuyer program and is one where tax exempt bonds are issued to procure funds to make available to low, very low, and moderate income borrowers at low market mortgage rates. Mr. Hopkins stated that historically they have funded approximately \$180 million a year under this type of program. There funds are made available through participating lenders on a statewide basis. Mr. Hopkins stated that currently they are 130 branches of financial institutions throughout the state participating in this program. Mr. Hopkins stated that the other program that ties into this as a tandem program is the "Down Payment Assistance Program". These special programs are funded from residual funds from bond refundings or redirected investment funds. Mr. Hopkins stated that all the major secondary market lenders have approved this program. The Department will provide the additional 2% needed for a down payment, in addition the closing cost to the borrower is 0% interest rate, and non-amortizing for the full term of the loan.

Mr. Hopkins stated that the Department will make a 0% loan up to 23% of the appraised value of the property or the purchased price, whichever is less. Mr. Hopkins stated that this is a great enhancement for leveraging and putting the lending institution in a very good equity position, it drives down the total interest rate maybe below 5%, and would eliminate potential mortgage insurance expenses to the borrower.

Ms. Cardenas stated that this basically covers what the team has come to present today, and now the City will have to let them know how they wish to proceed and how the team can help.

Councilman Gorden stated that he would tend to lean towards the concept of the Council creating a non-profit. Councilman Gorden stated that he was not too keen on the City getting into the mechanism of loaning money and creating a vehicle where local lenders might sit on a committee and make the approvals. Councilman Gorden stated that he is looking more for a vehicle to enhance the process - use the private sector as much as possible but look for some grant money for lots or subdivisions, and have a vehicle that can access some things to encourage the process and make it more affordable without getting the City deeply involved.

Councilman Boyd stated that he was thinking about a Housing Committee who could actually work with the people and help them get the money to do these things with - to be a liaison between the people and the Texas Department of Community Affairs. Councilman Boyd stated that a lot of people do not know where to go or how to fill out the necessary forms to apply for assistance.

Mayor Bronaugh stated that at the present time the City has a Committee working on rehabilitation with Kenneth Williams. Mayor Bronaugh stated that he would like to see a Housing Commission without getting into a Housing Authority category where the City starts being owners of property. Mayor Bronaugh suggested putting together a committee of 15 members for different sub-committees for housing rehabilitation, housing finance, housing inventory, etc.

Councilman Kegler stated that he liked the idea of having different committees. Councilman Kegler stated that there may be some people who have land but are not be able to build a house and would like to meet with the committee to discuss ways to finance a home, or people who have a house that needs to be rehabilitated. Councilman Kegler stated that, in his opinion, the Committee does not need to be the City Council. Mayor Bronaugh stated that at this time there are a lot of people who are waiting to serve on this type of Committee.

City Manager Maclin stated that staff has invited representatives from four banks to be present at lunch today and the team will be making a presentation to them.

Mayor Bronaugh stated that he recognized some years ago that the City has some property that is not being utilized, it is not on the tax roles, it is not earning any tax revenue for the City, and is creating problems within the neighborhood. Mayor Bronaugh stated that he had thought that the City could take the property and offer it to someone who is willing to take the property and build a home on it and maintain the property. Councilman Weems requested a list of these properties that the City owns. City Manager Maclin stated that staff had done an inventory of the property the City owns and also the property that LISD owns. This information is currently being put into maps for easy identification. City Manager Maclin stated that there is in excess of 100 acres, most of which is piece-meal, which could present some problems relating to zoning.

City Manager Maclin stated that he would suggest to Council that as soon as the Committee is appointed and the various taskforces within that Committee, we would need to set up an appointment to have a staff person from the HOME Program come in and do an education training process for the new committee members so that they will know what programs are available for access.

Mayor Bronaugh stated that staff will try and put the appointment of the Housing Committee on the next agenda. Mayor Bronaugh stated that he had received a letter from Councilman Simond who suggested that Johnnie Jones be nominated to serve on this Committee.

Councilman Gorden stated that he needed a little better definition of what this Committee is going to be. Councilman Weems asked if there should be a liaison officer from the City. Councilman Gorden stated that he wanted to have a say about the structure of the "Committee" or "Commission", and what Council is charging them with as opposed to appointing a lot of well meaning, uninformed people to try and come up with something. Councilman Gorden stated that he would almost rather see the City hire a professional low to moderate income housing person who totally understands the ins and outs of what is available to the City. City Manager Maclin stated that a job description of this kind of person had been included in the packet information. Councilman Gorden stated that it is the Council's responsibility to define this program, and that the Committee needs some structure. Councilman Kegler asked if it was possible to look at the present Rehabilitation Committee to give us a place to start.

Councilman Weems stated that maybe the program we are looking at here needs to be a little more specific about where the City is headed. Councilman Weems stated that he would have to agree with Councilman Gorden that somebody has to have the lead before a Committee is put together.

City Manager Maclin stated that staff needs to have a consensus of opinion from Council to know what to do; how much time to spend on it; if the Council is willing to support additional staff members, etc. City Manager Maclin stated that staff needs feedback from Council as to what they want to accomplish. City Manager Maclin stated that staff needs to know to what financial level Council is willing to commit. City Manager Maclin stated that there are some things that can be accomplished with a City staff member but at the same time there are some things that require local participation through the Committee to where there is a better

representation as to what the community is thinking by selecting a cross section of community members. City Manager Maclin stated that Council might want to write down their thoughts of what they want to see accomplished. City Manager Maclin stated that Council needs to give staff more specific directions in terms of what they want as far as goals and objectives.

Ms. Cardenas stated that it will be up to Council as to how involved they want staff to be in the development of the Housing Committee, and Council will make the decisions as to what they want or do not want the Housing Committee to be. In response to question by Councilman Gorden, Ms. Cardenas stated that Council had told the team that they wanted to establish a housing component within the City, and that they were also interested in affordable housing. Ms. Cardenas stated that the resource team report identifies one of the goals for the City as: To provide more affordable housing, primarily interim housing and housing for low to moderate income persons. Ms. Cardenas stated that the recommendation was to develop a housing component within the city administration to identify housing needs and develop strategies to address the identified needs. Ms. Cardenas stated that another recommendation by the team was to identify cities in Texas with similar characteristics as Lufkin and that have successful housing programs to obtain assistance in developing its housing component. Ms. Cardenas stated that while her experience has been with entitlement cities, Mr. Elizondro has had a lot of experience with different types of housing programs. Ms. Cardenas stated that in the introduction to HOUSING it states "A more defined roles of the city in meeting housing needs would enhance it's ability to identify needs, establish strategies and access available funding and sources. " Mr. Elizondro stated that some cities take a look at their Comprehensive Plan which deals with language that relates to the development of housing, it's affordability, etc. Mr. Elizondro stated that the City of McAllen would be willing to share how they do their housing program through a non-profit.

Councilman Weems stated that, in his opinion, the first statement under HOUSING "Develop a housing component within the city administration to identify housing needs and develop strategies to address the identified needs" seems to be the first step. Councilman Weems stated that we are on step 2 , "Establish a meeting date with Texas Department of Housing and Community Affairs representatives to obtain guidance for establishing its housing component", and the order of this might needed to have been reversed. City Manager Maclin stated that technically it could be said that the City already has a housing component within the city administration identifying housing needs and strategies and that is Kenneth William's department and the Committee he works with in rehab. Councilman Gorden stated that this is rehab and we are talking about ownership today.

In response to question by Councilman Weems, Mr. Williams stated that the biggest need he sees is single family housing. Mr. Williams stated that he might suggest to Council to look at identifying the components they want to do - rehab, reconstruction, or new housing, and then make their plans around what they decide on.

City Manager Maclin stated that the Mayor and various other people have looked at the undeveloped subdivision property over the years but nothing has ever happened on it. City Manager Maclin stated that if there are programs that other cities are accessing whether it is entitlement funds or just through the HOME Program and the City of Lufkin is not accessing these same programs then that is where we are missing the boat. City Manager Maclin stated that if there are federal dollars available we need to know the steps to take to access those funds.

Mr. Elizondro stated that one of the things that will be difficult for the City in starting is prior to doing the subdivision we may have to do 15 to 20 in-field housing units to generate some dollars for the program. Mr. Elizondro stated that if the City has the lots and owns them outright they may be able to develop some sort of Inter-Governmental Agreement which would lead the City to be the lead

agency in the disposition of the properties, it is conceivable that the City would be able to net some dollars with the price ranges that have been talked about, to allow the City to then have some dollars for the subdivision work that needs to be done. Mr. Elizondro stated that he will get some information on the Federal Home Loan Bank for start-up grants for the City. City Manager Maclin stated that the City could also use some sample inter-local agreements particularly involving schools.

Mr. Elizondro stated that there is more than one right way to proceed with developing this kind of program.

City Manager Maclin stated that he would like to make some suggestions at this point: #1 - To request Mr. Mayfield's department to conduct an inventory of identifying housing needs working with DETCOG to identify what the City's housing needs are, and #2 - Request each of the Councilmembers to submit to staff what your goals and objectives are, and from that staff can determine what the consensus of opinion is. Once we have the identification of the inventory of the housing needs for the City of Lufkin, and gotten the comments from the Council regarding their goals and objectives, plus the identification of the property that is available owned by the City and/or other taxing entities - then all of this information will be brought back to Council for a follow-up meeting. City Manager Maclin stated that if from that follow-up meeting the Council is ready to appoint a committee, then the committee can be appointed and staff will call Ms. Cardenas and ask her to send the staff liaison from the HOME Program to conduct a workshop with the committee members.

Mayor Bronaugh stated that one other thing the team could do for Council is to give them a legal definition of a Housing Authority.

3. There being no further business for consideration, meeting adjourned at 11:45 a.m.

ATTEST:



Atha Stokes - City Secretary



Louis A. Bronaugh - Mayor

Banking representatives attending the luncheon following this meeting were: Don Neill (Lufkin National Bank), Brenda Henderson (Angelina Savings & Loan), Will Zbranek (Nations Bank), and Joe Rich (First Bank & Trust).

A tape recording of this meeting is on file in the City Secretary's Office.