NEWBERG HOUSING FOR WORKING FAMILIES
AD HOC MEETING MINUTES
July 15, 2008
4:00 p.m. Meeting
Newberg City Hall
414 E. First Street

TO BE APPROVED AT THE JULY 29, 2008 AD HOC COMMITTEE MEETING

I. ROLL CALL:

Present:

Bob Ficker (arrived late)	Mike Gougler	Bob Larson
Joel Perez	Dennis Russell	Chair Philip Smith
Kevin Winbush	Rick Rogers	

Absent:

Charles Harris	Mike Willcuts

Staff Present:

David Beam
Barton Brierley (arrived late)
David King, Recording Secretary

II. OPENING:

Chair Smith opened the meeting at 4:01.

III. MEETING MINUTES:

Without much discussion, Mr. Gougler motioned to accept the minutes as written from July 1, 2008. Mr. Larson seconded the motion.

Motion #1 Gougler/Larson to approve the minutes from the July 1, 2008 meeting. The motion passed by unanimous voice vote for all those present.

IV. GUEST:

Chair Smith introduced Roger Grahn, a local builder/developer for over 30 years, who would like to build a 36 unit apartment building complex in Newberg. He is unable to build the complex, however, due to the costs involved with the financing, which he feels are directly related to the cost of the SDCs in Newberg.

SDC fees in Portland for a similar complex recently built by Mr. Grahn were \$165,000. To build the same in building in Newberg, he would have to provide more parking. But the greatest grievance for him is the \$496,800 in fees for SDCs, permits, etc. for his planned apartment complex in Newberg. An example of the elevated SDCs in Newberg is the way plumbing fixtures are counted, resulting in an \$11,000 plumbing permit.

All of this negatively affects the amount that he can borrow to finance the project. Also, it lowers his anticipated return on investment. **Bob Ficker** explained how the amount he can borrow relates to development costs. Any lending institution will look at the number of units (in this case, 36), figure in a vacancy rate (15%), and multiply by an average rent to figure gross revenues. This will be factored against the amount that is borrowed for development costs, and in the end, income needs to cover the debt payment by an industry standard of ~ 1.2 typically. Hence, the high SDCs in Newberg are driving up his development costs, contributing to his inability to qualify for a loan for the project.

Roger Grahn said that the cost and return on investment for a two bedroom/two bathroom apartment complex that rents at \$850/month vs. \$1200/month is an income difference of \$4,000 income/month for the subject project. The lower rent attracts a certain clientele that involves higher repair costs. The point, however, is that the building costs are about the same for both kinds of apartments, and therefore as an investor, he would prefer to build a project the latter type of clientele.

Chair Smith wanted to know from Mr. Grahn if the city could expedite approval of his plans, would that help him. Roger Grahn responded that the current city system is not slow; speeding up the process in the Newberg is not as advantageous as lower the fees. A bonus system could help, but he felt that cities, like everyone else, have become greedy. His example is that the city wants to value a piece of land he has at \$91/sq. ft, and yet it cost him only \$54/sq. ft. to purchase. The cost of land in Newberg is currently high and he can only build if he is under \$18,000 per built-out unit. Roger Grahn proposed that he could build his proposed complex if the Newberg SDCs were lowered to \$150,000. In return, Mr. Grahn would give 2% of his profit for next 15 years to the city, which could be around \$6,000+/year. This would help him because he wouldn't have to borrow the additional money for fees up-front and additionally, he can expense the money he gives back to the city. **Rick Rogers** mentioned that Mr. Grahn's proposal is similar one of the tools in the material that this committee is going to consider. **Chair Smith** thanked Mr. Grahn for his real-world perspective and participation.

V. REVIEW OF CITY GOALS AND POLICIES:

Chair Smith returned the committee's attention to a previous discussion on the city's goals for affordable housing. **David Beam** highlighted some of the housing goals and policies for the city (see P85 in the committee binder, under the "Background" section). Mr. Beam said that this information came from a report authored by a consultant after reviewing the city's comprehensive plan. There are housing goals of: 1) diversity of types of housing available; 2) density policies; and, 3) location policies to locate people close to commercial centers and public use spaces. The city also wants to encourage: 1) low income housing; 2) high standard aesthetics through urban design standards; and finally, 3) encourage public facilities that meets the needs of housing. **Chair Smith** tried to summarize David Beam's report by sharing how the Planning Commission often feels the pressures of trying to balance competing city goals and policies. It is hard to find a good solution that supports them all, and this committee will probably feel this type of difficulty as well.

VI. DEFINITION OF TERMS:

Charlie Harris had sent an email with his thoughts on affordable housing definitions and Mr. Beam summarized these definitions in a handout (see *City of Newberg – Proposed Affordable Housing Definitions*). **David Beam** explained the handout. **Chair Smith** thought it would be helpful to have additional figures that would explain the income ranges of the affordable housing definitions. Committee members pointed out that such figures are already included in a table from Mr. Harris' email.

Chair Smith recounted the Planning Commission's recent 18-month history of finding ways to promote affordable housing. Some citizens have expressed to the Planning Commission that the term "affordable housing" has a negative connotation and is the kind of development that people don't want in their neighborhoods. Nevertheless, the working families (including nurses, firefighters, janitors, etc.) of Newberg need such housing. Does anyone have a suggestion on what to do with this term?

Mike Gougler was hesitant to classify another group of people by a single term. Instead, he believes that everyone wants affordable housing, whether the house costs $700,000 or $70,000. The retirement center project that **Dennis Russell** is pursuing is an example of affordable housing, given what a resident gets for the money spent. It is especially helpful for people on fixed incomes. Therefore, Mr. Gougler would prefer to stay with the term "affordable housing," even if it gets people tied in knots. He suggested we educate people to understand the term correctly.

Kevin Winbush wants to know if affordable housing is an issue of owning a home or renting. **Chair Smith** believes that a wide variety of housing options need to be available, including apartment rentals and various kinds of homes to rent and/or purchase. However, Mike Gougler doesn't believe, even if SDCs were eliminated, a builder can economically build new affordable houses according to the definitions on the handout.

Kevin Winbush asked who at the table currently lives in an apartment. Not one member currently rents. Mr. Winbush wants to know how we can get good renters into a purchased home. **Mike Gougler** said that his objective is an issue of home supplies not home ownership. Furthermore, he added that he doesn't believe every rental family will be able to buy a home. **Kevin Winbush** wants to see everyone able to buy a house.

Bob Fickers reported how the Willcuts are moving people into $200,000 affordable housing. Mr. Ficker also asked what the needs of Newberg are for the affordable housing. **Mike Gougler** reported that a great boon for home ownership was the sub-prime lending days. That time is over now and had some negative consequences. Builders are also encouraged when soft costs, such as SDCs, permits, cost of carrying the loan, etc. are low. He also highlighted the benefits of having a retirement industry in town. More money is pumped into the community than goes out. **Dennis Russell** referenced a table in the binder that said that Newberg needs 8,500 new housing units by 2025.

Dennis Russell then explained some of the costs involved with current development. He has some advantages as a non-profit organization, especially regarding the interest rate. His current shared-wall duplex project has SDCs of $714,000. A ballpark figure buy-in cost for each unit is $202,000 to $227,000, plus monthly fees. Guest <u>Roger Grahn</u> said that 200 units are going to be built for $240,000 each in Portland, but these will be subsidized.

Bob Ficker asked Barton Brierley about the last time apartments were built in Newberg. **Barton Brierley** said the last apartment complex was built when he started his job—1998.

All the definitions on the *City of Newberg – Proposed Affordable Housing Definitions* handout were accepted by the committee, except the "working families" term. The table included in Charlie Harris' email will also be included with this definitions document.

VII. AVAILABLE TOOLS:

Chair Smith asked the members for distinct items of discussion from the matrix handout entitled *City of Newberg – Potential Affordable Housing Tools*. **Rick Rogers** appreciated the list and said that there is a local service (CASA) that helps out with affordable housing. **Bob Larson** said he especially liked the six strategies of affordable housing found on page 42 of the agenda packet. He believes all these strategies should be topics for discussion in the future. **Chair Smith** would also like to know how much unused public land might be available for use as affordable housing. **Dennis Russell** asked for the city inventory being mapped out for easier discussion. **Barton Brierley** said that a map could be produced.

Mike Gougler cautioned that the committee should not just address issues related to affordable housing. As a builder, he wants to see all types of housing can be made available. Additionally, he cautioned that any discussion of fee reductions should also include the impacts that would have on the Planning and Building Departments. The entire budgets of these departments are generated through fees. He felt that these departments are not overstaffed.

VIII. BARRIERS TO AFFORDABLE HOUSING:

Chair Smith stated that since time was short, discussion about the barriers to affordable housing will be the main topic of the next meeting.

Kevin Winbush wants home ownership to at the forefront of the committee's agenda.

David Beam reported that many barriers are actually regulatory (see pages 111 and 114 of agenda packet). Other issues include the faster rise in construction materials costs versus family wages and social issues.

IX. MEETING TOPICS AND SCHEDULES:

Chair Smith would like everyone to consider and prioritize the affordable housing tools they feel it is most important for the committee to focus upon. **David Beam** will revise the affordable housing tools matrix and send it out by email to the committee members to rank the tools and return the completed matrix to Mr. Beam. He will then produce a summation before the next meeting.

X. OTHER BUSINESS:

The next meeting is scheduled for Tuesday July 29, 2008 at 4:00 PM.

XI. ADJOURN:

Chair Smith adjourned the meeting at 5:54 PM.

Approved by the Ad Hoc Committee this 29th day of July, 2008.

AYES: 7 **NO:** 0 **ABSENT:** 3 **ABSTAIN:** 0
(List Name(s)) B. Ficker, C. Harris, M. Willeats **(List Names(s))**

Dawn Karen Bevill
Ad Hoc Committee Recording Secretary

Philip D. Smith 7/29/08
Ad Hoc Committee Chair *Date*