City of Newberg

NEWBERG AFFORDABLE HOUSING
AD HOC COMMITTEE
Thursday, November 20, 2008
7 p.m. to 9 p.m.
Newberg City Hall
Permit Center Conference Room
414 E. First Street, Newberg, OR

Before the meeting began, Bob Larson addressed those in attendance by stating the City Council voted at their last meeting to appoint Councilor – Elect Denise Bacon to take his place on the Ad Hoc Committee.

I. OPEN MEETING: Chair Philip Smith opened the meeting at 7:00 p.m.

II. ROLL CALL:

Present:	Philip Smith	Joel Perez	Bob Ficker
	Mike Willcuts	Dennis Russell	Mike Gougler
	Denise Bacon	Bob Larson (left before roll call)	
Absent:	Charles Harris (excused)	Kevin Winbush (excused)	
	Rick Rogers (excused)		
Staff Present:	David Beam, Economic Development Coordinator/Planner		
	Barton Brierley, Planning Director		
	Dawn Karen Bevill, Recording Secretary		
Others Present:	Julie Codiga	Ian McLeod	

III. MEETING MINUTES:

MOTION #1: Gougler/Perez moved to approve the minutes from the November 6, 2008 meeting as amended by Charlie Harris. Motion passed by voice vote.

Chair Smith and the members of the committee extended congratulations to Kevin Winbush who was not present, due to his wedding, November 20, 2008.

Chair Smith invited the guests present to introduce themselves.

Julie Codiga has been a Real Estate Broker in Newberg for 23 years and is part-owner of a construction company where she has seen the need for affordable housing in the area.

Ian McLeod sells real estate in Newberg and was invited to attend by Chair Smith. After a conversation with Mike, Mark, and Matt Willcuts concerning the entry-level housing inventory and looking for efficient ways to move it along, they decided on the approach of going directly to employers in the community that would probably have interest in their employees owning homes as opposed to renting. Ian met with the HR Manager at SP Newsprint last Friday, who in turn seemed interested in the employer approach.

Chair Smith suggested using Ian's volunteer effort to help in putting together the proposed future housing fair, giving him the opportunity to cooperate and work with city staff.

Dennis Russell asked Ian what incentives he had he discussed with the manager at SP Newsprint. This is important, since a large percentage of Dennis' staff also want to build equity and own their own homes but can't afford to live in Newberg.

Ian McLeod replied employers are interested in having their employees own homes locally. Otherwise, they may be more likely to move from the area if they are only renting. Owning a home helps keep them more vested interest in the area. An employer can perhaps present this as a part of their benefits package.

Dennis Russell stated employers are cautious. Endorsing or introducing a particular realtor to employees by an employer could be risky. Many of his staff make under $30,000. Having a program to aide in purchasing a home would be very appealing, but it needs to be developed carefully.

Mike Willcuts stated employers could help a person with down payment, an idea in which he has great interest.

Chair Smith asked Ian if he's planning on talking with other employers in the city. Ian McLeod replied, yes.

IV. PROPOSED COMPREHENSIVE PLAN AND DEVELOPMENT CODE CHANGES:

David Beam explained after the November 6, 2008 meeting, staff tried to develop a framework for a proposal that would encourage development for more affordable housing in a way that works for developers, as well. There are essentially two sections to the framework; the first located in the meetings packet, (P9) bottom that deals with flexible development standards. A developer could choose between two options: (1) Use the current development standards; or (2) Use any or all of the established set of flexible development standards, such as reduced setbacks, increased heights, or smaller lot sizes. 2 options: If a developer chooses the second option, they would need to, in exchange, provide affordable housing which could be done in multiple ways shown in the meeting packet (pp 9-10) item (2) A – D which David Beam reviewed.

The next question that the committee should consider is what design process a development should go through using the second tract. The City could offer two options for the design process: (1) An objective review of specific design elements using a checklist, similar to Exhibit A (pp 11-13) and Exhibit B (pp 14- 15) of the meeting packet; or a subjective review by a design review board/person that would evaluate the project using a set of design principals.

David Beam referred to comments from Charles Harris on November 18, 2008 by email. Charles suggested adding an option to the flexible development standards concerning the types of units that could be provided, which is to require on-site affordable units (via CC&Rs) without subsidy. Charles also commented on the design process, stating Oregon law may dictate the objective review, since ORS 197.307 requires that standards related to affordable housing be clear and objective. David Beam read ORS 197.307 3-D which was also handed out to committee members. Staff's interpretation is, yes you can do this as long as there is an alternative clear and objective option.

Dennis Russell commented on Charles Harris' email by saying he doesn't feel any more time should be spent exploring the non-subsidy housing option he suggested.

Chair Smith stated that at times he has thought it would be a nice option, but doesn't believe Charlie's suggestion is not viable from a practical/political standpoint. A strong consensus of the Committee on the proposed action plan should be achieved before it is presented to the City Council. He supports Dennis' opinion.

David Beam stated that the proposal is that the affordable housing requirement only is in effect if they use the flexible development standards. There are still two development options from with the developer to choose (standard route or flexible).

Barton Brierley provided a scenario. If a developer chooses to build a series of affordable townhouses and each of those townhouses is 1,000 square feet, that would be fine. But what if the development is a combination of affordable housing and $300,000 homes? How would staff respond to a developer in that case?

Mike Gougler stated he wouldn't ask someone to do affordable housing without a clear definition.

Dennis Russell explained while researching affordable housing he found some good examples of specific parameters and expectations of the developer as used by the City of Davis. He'll pass the information on to David Beam.

Chair Smith agreed that the code language needs to be specific for developers.

Mike Gougler stated he is OK with the proposed development standards 2 A - D (pp 9 – 10) of the meeting packet.

Chair Smith asked how the committee feels about 2 - B "Subsidized" units. How do we define the fee subsidy?

Mike Gougler is concerned with charging progressively higher fees for new development, putting the burden of affordable housing on new residents.

Mike Willcuts commented on the email received from Matson Haug regarding the State of California making up subsidies through a city-wide tax. Mike believes that is the fairest way to handle it.

Chair Smith stated he believes that a broader based city tax is more difficult to enact.

Mike Willcuts agrees it may be difficult, but it's the fairest way to pay for affordable housing.

Dennis Russell stated there's also the legislative option. The school district just passed a charge of $.50 a square foot assessment for schools on any new commercial/industrial developments up to $35,000.

Julie Codiga added that there is also a $1 per square foot assessment for schools on new houses and she believes a $.50 per square foot assessment for a new garage.

Dennis Russell continued by stating the assessment program allows school districts to work with the City who levees the tax. Funds can go for infrastructure improvements for schools.

Mike Willcuts stated that assessment still only affects new construction.

Barton Brierley stated businesses are charged a business license and some of that funding could be dedicated for housing to those who work in business. Also, the hotel room tax rate could be increased. Some of those funds could be dedicated to housing workers in the tourism industry. Another idea would be a surcharge on water bills. This way, almost everyone pays to support affordable housing.

Dennis Russell asked Mike Willcuts why expensive home are valued (for building fees) at the same level as an inexpensive home. He's never understood the fairness of that.

Mike Willcuts replied you pay by the square foot now.

Dennis Russell stated it's fixed and not a percentage based fee structure.

Julie Codiga commented on the cost per square foot giving an example of a house they built on W. 1st Street where the first time home buyer did much of the work, bringing down the construction costs to $70 per square foot, but they still had to pay the permit fees based on a the flat rate, which is higher. She explained as builders try to work on lowering the costs per square foot there's no flexibility on the standard that the City charges. Julie also commented one of the largest costs in providing housing is the cost of land. She asked if there is any way when properties go through the annexation process having a fees lowered if the development is of some type of affordable housing.

Chair Smith replied it's been discussed in past meetings. He then asked Julie if she agrees with the comments brought forth by Dennis Russell regarding smaller projects pay at the same City rate as more expensive projects.

Julie Codiga asked if the City rate is $97 per square foot valuation and the builder is working with a client to keep the costs down and the contract ends up being under the state cost, does the City have the flexibility to lessen charges in order to aid in the affordability of the home? Does the City have the ability to charge what the contract rate is if it's less than what the state's amount is?

Mike Gougler commented on Dennis' approach stating he wouldn't object to a luxury tax and asked if there is a way to fairly appraise/access that fee. He felt that the value should not be measured by what it costs to build but the value of the house to the owner.

Regarding Barton's comments on fees, another option could be having the City not collect fees on affordable housing, which would amount to a loss of income, but because of the nature of building, it's not a loss of budget. In other words, if the fees for a 2,000 square foot house are going to be $25,000; if he was to build an affordable house, he should be able to expect less in fees. The $25,000 the City would collect is spread around in the City budget, but if those fees aren't collected, the City wouldn't "miss" them due to the fact the City doesn't budget per home built. The budget is built as development occurs.

Mike Willcuts replied to Julie's question by stating he wouldn't oppose her suggestion, since it's not a tax on a small group.

Dennis Russell stated it would be nice to waive the fees, but how could insulate the City budget effects of that action; in other words, make it budget neutral. The question is what impact that would have on the City and are there alternative sources to make up the loss.

Joel Perez agrees with Mike Gougler. Joel is a Budget Committee member and stated that overall it goes back to bringing more citizens into the City in order to generate more revenue.

Chair Smith asked for further clarification from Mike Gougler regarding his explanation on waiving City fees.

Mike Gougler explained by giving the example if he doesn't build, the City doesn't get money toward building the new sewer plant, but if he does build, the City collects the fees. However, the problem with the sewer plant isn't due solely to new construction. As a builder, he pays for all the new sewer lines, streets, etc. which are not paid for by the City. The City's transportation infrastructure is paid for by the new homes. The maintenance was understood and agreed by the CRRC to raise taxes on the existing residents and raise taxes and increase SDCs on the new residents. The new residents paid higher amount of money in order to achieve the same services as existing residents. Newberg received the last grant from EPA for a water treatment plant, but never allocated for or budgeted for its replacement. Now the City has to burden new development with SDCs just to be able to pay for the water plant that was never paid for by the older residents of Newberg. Mike isn't saying new developments shouldn't pay a portion of what has happened, but if you don't charge them the full freight, then the effect of the uncollected monies falls on all of the people rather than just on the new people.

Barton Brierley stated in doing budgeting, cutting it by 1% won't affect that much. There is a certain amount that can be absorbed. Certain development fees can be waived for two non-profit, affordable houses per year, which isn't always budgeted.

Chair Smith understands the budget has enough cushion in case you need to squeeze once in awhile, but it can't be done on an unlimited basis.

Mike Gougler agrees, but the percentage of money the City loses can be collected from the group at large. If it's important to the City to have affordable housing, everyone in the City should be involved in that effort.

Mike Willcuts believe point 2 – B in the memo is a great idea but it depends on how the subsidy is funded.

David Beam stated the committee could just agree to the memo's points in concept, but how to specifically carry it out and fund it could be determined by the Planning Commission as an action item.

Chair Smith stated the fees could be rationally connected to broader City fees, perhaps by employers, or by hospitality fees, or a combination of those. He asked Mike Willcuts' opinion on which direction to go.

Mike Willcuts commented the hospitality tax targets one group and could affect tourism.

Denise Bacon doesn't believe that to be true. Visitors staying in Newberg are very used to paying a hospitality tax wherever they stay.

David Beam referred to an analysis recently done by Barton Brierley which showed Newberg is on the low end for it percentage of room tax. From that standpoint, there's room to grow.

Bob Ficker voiced his hesitation on raising any new taxes, since it's typical for taxes not ending up going toward what it was intended for. He believes the community will not welcome a new tax, but would rather see a broad based assessment, like increased sewer fees.

Chair Smith stated he doesn't see the difference between a tax and increased sewer fees.

Bob Ficker replied everyone needs to be taxed, not just the business community. He then asked whether the amount of subsidy needed could be figured out first in order to calculate what the tax should be. He then asked what would happen if the fees were collected and it wasn't used for affordable housing.

Mike Willcuts replied by stating it could be calculated the same way as SDCs. Those funds are could also be dedicated and couldn't be used elsewhere.

Chair Smith stated Bob Ficker's concerns are valid and believes the City fees should be dedicated to affordable housing.

David Beam added it can be a broad based tax too with the increase being dedicated.

Mike Gougler suggested that in making a proposal, it shouldn't be the committee's responsibility at this time to come up with alternatives to fund the subsidy.

Dennis Russell resisted David Beam's idea of just getting the proposal developed only in a general form and then handing it off to the Planning Commission/City Council to work out the details. There needs to be a specific consensus by this Committee on how to make this proposal work.

Chair Smith asked staff to put two parts together on what the needed subsidies would be and how much the hospitality tax would need to be raised to cover that cost.

Denise Bacon believes it would be very difficult having an added tax on water bills. She has heard concern over the current amount paid by citizens during her campaign for City Councilor.

Chair Smith stated the committee needs to pay attention to what is politically doable regarding Option 2 - B.

Chair Smith continued on to Option 2 - C concerning off-site units. This option met no criticism. Option 2 – D concerning housing trust fund contribution in lieu would be especially helpful to smaller projects where there is no room for affordable house placement. This option was agreed upon by all also.

The next question concerning the design process was discussed. Chair Smith is on the Planning Commission and understands that there may be a concern by members on the design standards of the affordable homes. Mike Gougler and Mike Willcuts have both stated by putting in certain design requirements on affordable housing defeats the purposed, driving the cost of the development too high. He then asked how that can be problem be avoided, while still maintaining a pleasant look to the homes.

Joel Perez likes Option 2 with a subjective review by a design review board/person.

Chair Smith referred to Charles Harris' email comments on Option 2.

David Beam stated Charlie believes the proposal may go against State rules, but Staff doesn't interpret the specific ORS that way.

Mike Gougler gave his opinion on some of the proposed subdivision design elements (pp 11 - 12) in the meeting packet:

> (2) Use of public walkways or multi-use paths not adjacent to streets: A public walkway becomes a public right-of-way and a possible right-of-way for City sewer. In order to build a sewer line through it, it needs to be wide enough for a City vacuum truck with thickened concrete. If it's made in that way, other utilities can't use it and it becomes a public safety problem. High cost to build.
>
> (3) Extra wide planter strips use more water and more concrete and curbing is needed with fixtures.
>
> (4) Use of alley access can become a public safety issue and are expensive.
>
> (5) Providing additional on-street parking is a good idea.
>
> (6) Use of antique street lighting styles as approved by PG&E is not compatible with the dark skies goal. More lights needed than cobra style (throw off less light.)
>
> (7) Use site furnishings to enhance open space may be paid for by the developer but the City needs to maintain and replace them.
>
> (9) & (10) Preserving existing natural features is good, but some trees, like the Douglas Fir, don't do well around development.

Chair Smith asked Mike Gougler if he is suggesting allowing the flexible development standards but not have the design standards.

Mike Gougler explained you can have design standards, but the committee needs to understand their full impact. If the developer is asked to do them for points, there can be consequences. He is apprehensive to endorse the idea, due to increased liability and increased cost factors.

Chair Smith asked how developers can make affordable houses that are unattractive. Is it possible to have clear set of design criteria with some options or should it be reviewed by a design review board.

Mike Willcuts has a problem with that since it would be based on the person hired to do it. It's too risky and subjective.

Chair Smith stated there would need to be guidelines.

Chair Smith is very persuaded the clear path list is safer for developers and builders. The list of design standards should be re-done. Chair Smith asked Mike Willcuts and Mike Gougler would be a subcommittee to re-do the list with their suggestions.

Mike Gougler asked how many points are needed to qualify, just for a point of discussion and evaluation.

Barton Brierley suggested 10 points.

Chair Smith asked Julie Codiga if she would be willing to participate in this subcommittee in coming up with an alternate list of design standards.

Julie Codiga replied yes, since this is a very important issue. She also stated that the 100% home finance option will be lost at the first of the coming year. Many other FHA requirements will also change, limiting options.

V. OTHER BUSINESS:

David Beam reviewed the proposed future date schedule for the Ad Hoc Committee.

VI. NEXT MEETING: The next meeting is scheduled for December 4, 2008 at 7:00 p.m.

VII. ADJOURN: Chair Smith adjourned the meeting at 9:00 p.m.

18 JAB

Approved by the Ad Hoc Committee this ~~4th~~ day of December 2008.

AYES: 7 **NO:** ∅ **ABSTAIN:** ∅ **(list names)** **ABSENT:** 3 B. Ficker, D. Russel, K. Wimbush

Tamara A. Bergeron
Ad Hoc Committee Recording Secretary

Philip D. Smith 12/18/08
Ad Hoc Committee Chair Date