NEWBERG AFFORDABLE HOUSING
AD HOC COMMITTEE
Thursday, December 4, 2008
7 p.m. to 9 p.m.
Newberg City Hall
Permit Center Conference Room
414 E. First Street, Newberg, OR

I. OPEN MEETING: Chair Philip Smith opened the meeting at 6:58 p.m.

II. ROLL CALL:

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

III. MEETING MINUTES: The November 20, 2008 meeting minutes were not approved due to a lack of a quorum.

IV. PROPOSED COMPREHENSIVE PLAN AND DEVELOPMENT CODE CHANGES:

David Beam referred to the staff memo included in the meeting packet (pp13-21). The memo included revised development code language, incorporating committee input from the November 20, 2008 meeting. Also, included in the memo are questions/issues that were not addressed at the last meeting.

Question 1: (pp13-15)
If a developer chooses to use the flexible development standards and is required to provide affordable housing, how much and what kind of affordable housing should be provided?

David Beam explained this was once based on a total point system. Staff is now proposing a set ratio be used, providing one affordable dwelling unit (EADU – Equivalent Affordable Dwelling Unit) per four units built. The lower the household income level served the more credits the developer would receive towards their affordable housing requirement. Item (1) letter (d) talks about deed restriction and poses the question on how long should the deed restriction be.

David made the following suggested change to the memo; placing letter (d) at the end of Section (1) because it would be all inclusive of everything above it. Also, wording would be added to letter (i) specifying subsidies for ***affordable*** housing.

David Beam continued on to review Question 1 Sections 2 – 4. In item (4) language should be added stating an average cost of a ***market*** rate dwelling unit, which will make that language much clearer to understand.

Examples 1 – 6 (P15) were then reviewed.

Chair Smith asked if a combination of those examples could be used.

David Beam replied yes, as long as the EADU requirements are satisfied.

Related questions:

Should subsidized affordable housing be deed restricted? If so, for what period of time? David stated he believes that question would be taken care of if Section 1d is agreed upon.

If deed restricted, should a homeowner have the option to sell the home at market rate if they are willing to refund the cost of the subsidy (plus interest)? Chair Smith stated he heard many comments in favor of this.

David Beam commented if you subsidize without deed restriction and the homeowner decided to sell quickly, then the City's investment is gone.

Chair Smith asked for committee comments on the draft.

Mike Willcuts referred to the example given (P15.) Supposing a developer proposes a 20-unit development under the flexible tract. He doesn't believe the deed restricted units will be profitable and the other 15, since they will be built smaller, will be less profitable than usual. The proposed percentage may be too high.

Mike Gougler agrees with Mike Willcuts. He then complimented staff on putting the draft together, but has some questions and comments concerning it. Section (1) letters (a – c) includes the wording *qualifying buyers*. Who qualifies the buyer? The developer, the City, who? If the responsibility of qualifying buyers falls on the shoulders of the developer/builder, that's an added liability for which a developer. His other question concerns letter (e); who is the *Director*? Is that Barton Brierley?

Barton Brierley replied, yes.

Chair Smith asked staff who qualifies the possible buyers.

Barton Brierley replied he has envisioned having a contract with someone like the Housing Authority to do this work, since they already go through that process of qualifying buyers with some of their other programs.

Mike Gougler agreed that would be a good way of handling qualification. Mike continued regarding rent rates on affordable housing. When a renter signs a lease, they qualify, but after the lease is signed, what happens if they lose their job or, on the other hand, receive an increase in income.

Chair Smith suggested asking Charles Harris since he deals with these kinds of situations.

Mike Gougler asked, using the example of a 20-unit development (P15). If there are two classes of houses being built, the finish in some of the houses would be less in the affordable units in order to charge less to the buyer. When that house sells, it will push a lower appraisal comp for the neighborhood.

Julie Codiga added appraisers don't distinguish between subsidized housing and regular housing.

Mike Gougler agreed. He's concerned with the consequences of saying a percentage within a development is affordable as defined.

David Beam replied if a developer is concerned with the on-site option, they still have the option to build off-site or contribute to the housing trust fund.

Chair Smith stated it seems homes are appraised based on what neighboring houses are appraised for.

Mike Gougler stated appraisers use three boundaries; the cost, construction, and the market of comparable sales.

Julie Codiga added an appraiser always looks to the neighborhood first and then on to the next closest neighborhood.

Mike Gougler stated developers will choose to build what makes market sense.

Denise Bacon added she'd recently saw on the news a gentlemen from the US Building Council who stated that today's housing market is trending towards smaller, more energy efficient homes.

Chair Smith returned to David Beam's comment on the various options available to the developer. The base number suggested by Staff is 25% but Mike Willcuts had stated that percentage is might be too high.

Mike Willcuts stated he doesn't necessarily believe 25% too high. Instead of looking at only 1 example, we should look at real property in the Newberg area, imagine development at that site, and see how the different options would work; what % might work best.

Chair Smith agreed. The Committee should look at some scenarios with real pieces of property in the Newberg area with varying acreage and then imagining developments on each to see what could be built under the normal rules vs. the flexible rules. The Committee could look at small, medium, and large examples before determining what percentage might work best.

David Beam stated maybe the affordable housing methodology could be based on percentage of the difference between the number of houses that could be built under the regular code and how many houses could be built under the flexible standards.

Chair Smith stated that was better then his suggestion.

Barton Brierley stated Staff can run some scenarios and bring those examples in for the committee to view.

Julie Codiga asked what happens if a home that is deed restricted to affordable housing goes into foreclosure.

Mike Willcuts replied its still deed restricted and the bank couldn't sell it for any more then the deed restriction.

Julie Codiga asked if the City partners with the Housing Authority, will they have enough money to subsidize low income rentals? What happens if the affordable housing rental stays vacant for a period of time?

Chair Smith asked if a new duplex is built with the flexible development standards, putting both down as affordable housing, but one remains empty for awhile, who makes the payment? Would the City allow it be rented at market rates until it could be rented as affordable housing?

Julie Codiga replied a renter wouldn't choose to rent a unit at the market rate just until another affordable housing tenant applied for the unit. Also, the Housing Authority doesn't screen the tenant for anything other than income. She has had experience with tenants ranging from very good to those who damaged the rental and didn't pay rent. Julie isn't aware of any programs that assist for that in between down time.

David Beam stated the Housing Authority doesn't tolerate non-rent payment or bad tenant behavior, due the fact that they have a 2-year waiting list for those affordable units.

Julie Codiga replied that's true, but the owner still has to screen the individuals and if need be get the renter evicted.

Mike Willcuts asked if and how will that be the deed restrictions would be policed 5 – 6 years down the road.

David Beam replied it may be a matter of working with title companies to be sure they're aware of the deed restriction,

Julie Codiga asked how you allow for step rate increases in rent, not in profit to the owner but for increases in the cost of utilities.

Chair Smith agreed there are a series of questions concerning the rental units that need to be considered differently from buying a subsidized home.

Barton Brierley stated some details will still need to be worked out, such as reporting requirements.

Julie Codiga added that people don't do well with adjustable rate loan. Many of the properties slide into foreclosure.

Mike Gougler asked if the Housing Authority deals with purchasing homes.

Julie Codiga replied yes they have a small program with houses available in a certain price range and send out notices informing existing clients of those homes. Normally it's only 1 – 2 houses per year. There isn't enough funding available for the program to meet demand.

Mike Gougler stated he has no problem with the draft concept language, as a builder. If a program is put together with flexibility, the developers will come up with the best way of making a purchase option work. He believes the rental issue should be separated and dealt with differently from the ownership issue. If a developer wants to develop apartments or rental units, they will do so be based on a market understanding or survey. If there's a market for affordable apartments and the land is available, then density won't be a problem. Low income apartments are more expensive to manage and operate than high rent apartments.

David Beam stated the City may be able to encourage development of affordable rentals through money from the trust fund. Maybe use some of the funds as matching money with funds from the Housing Authority to build a new low income, rental apartment complex.

Mike Gougler agreed that's the direction to go -- 90% of the affordable housing needs are met through rentals. Later on, he'd like to look at existing rental issues. Most low income needs are being met by private property owners.

David Beam stated some of the rental needs can be met by allowing the builder to create ADUs.

Mike Gougler stated it helps having different tools to use, since every development or house built is different with a different situation. Planning for developments can be very frustrating. City staff needs the power to shape developments as the needs are agreed on by the developer and the City.

Julie Codiga agreed there needs to be flexibility by the Planning Director so developers/builders won't have to go back through all the noticing and hearings on a simple decision, since it adds time and costs to a project.

Chair Smith agreed, stating there needs to be a clear path for the developers to follow, as well as for the City staff in order to protect their decision-making.

Mike Gougler stated the current draft is close enough as long as the proposed ratio between the normal standards and flexible standards is used.

Chair Smith asked the committee their opinion on the length of the time period for deed restrictions.

Barton Brierley stated a Habitat home has a 10-year restriction; a CDBG Grant funded project has a 60-year restriction. That's how Staff came up with the bookends of 10 and 60. Realistically, if a home is 60 years old, its condition will most likely will make it an affordable housing unit.

Mike Gougler stated the longer the deed restriction, the more limited the property is for a redevelopment option. He can see 10 years, but 20 years is concern, and 60 years is impossible.

David Beam stated if you don't have a reasonably long deed restriction, the community will never be able to build up the affordable housing stock.

Mike Gougler replied 80% or more of those looking for affordable housing are looking for rental units and many older homes become rental units.

Chair Smith asked how common is it to tear down an older home and build a new one in its place.

Mike Gougler replied it's very rare in Newberg today, but will become more common in the future.

Julie Codiga stated when the Farmers Home Administration started its subsidized housing program, there was no deed restriction period, so they ran into the problem of homes being sold for profit and lost the affordable housing stock. In the early 1980's that changed and if you lived there less than nine years and the home was sold to a non-subsidized homeowner, a formula was used for payback, based on the subsidy.

Chair Smith suggested a deed restriction of 15 years which he believes would help reward the homeowner with a profit when they sell the home.

Julie Codiga stated the restriction used by the Farmers Home Administration wasn't in a deed restriction but in their loan package. She thinks this is a better system than the deed restriction method.

Chair Smith asked if there would be a gain by putting it in a loan agreement.

Mike Gougler replied a lot would be gained. It's the same as a lien and would be less rigid than a deed restriction.

Julie Codiga added its part of the loan payoff agreement.

Mike Gougler stated that a lot of agencies have done that. There's a penalty to the home owner who sells that expires after an amount of time.

Mike Willcuts added Habitat for Humanity uses a sliding scale.

Mike Gougler replied that when you deed restrict, it's hard to make it go away. It is an extremely inflexible tool with much complication.

Chair Smith suggested the loan agreement be restricted for 15 years.

Mike Gougler added a loan is much more easily understood by the public than a deed restriction.

Julie Codiga stated a program can be set up with many options.

Mike Willcuts stated people will ask why they should improve a home if they can't make a profit from selling the house after a period of time.

Julie Codiga stated the Farmers Home Administration audits homeowners every year, using a formula that increases the amount of the mortgage payment as household income goes up. They also ensure that the house is still owner occupied.

Chair Smith doesn't want to punish an owner for increasing in income by making them pay more for their house. However, there does need to be a way to ensure the home is owner-occupied and not being rented out.

Question 2: How should the "subsidy" be paid for? (Pp15-16)

David Beam stated this has been discussed in much detail in prior meetings. The consensus from the committee so far is that the subsidy should be broad based and not target one segment of the community alone. He reviewed the possibilities as listed in the meeting packet (P16). He suggested a correction in the memo: the progressively higher fees option would be for homes with a higher square foot value, not larger homes.

Chair Smith referred to the handout memo by staff regarding the transient room tax option to fund the subsidy. He emphasized the point talking about how State law says if your community increases their current transient room tax rate, 70% of the funds raised through a 1% increase must go toward tourism promotion activities.

Barton Brierley stated 83% of the current room tax funds are spent for any City service and 17% towards tourism.

David Beam stated City's estimated room tax revenue for FY 2008-09 is $115,000. The estimated revenue for the Allison Inn will be an additional $200,000 - $300,000 when it is up and running. Staff estimates that about $17,000 of revenue would be raised that could be used for subsidies from a 1% increase in the tax, which would subsidize approximately all the permit fees on one small home per year.

Chair Smith suggested the committee might recommend to City Council that eligible revenues from increased Transient Room Tax should go into affordable housing.

Mike Gougler stated the City has many areas in which to spend this funding and a specific percentage should be asked for when taking this before the City Council.

David Beam stated if the money is dedicated, then it should go into the Housing Trust Fund, which could also be used for subsidies.

Mike Gougler stated that an improvement program should be provided for homeowners who have rentals. Funds could be available to encourage them to upgrade for energy efficiency. Other upgrades would keep the rentals from deteriorating, preventing their loss from the affordable housing stock.

Denise Bacon rents her home and has been in it for 4 years. Previously, the home had never rented for more than 4 – 5 months at a time. The home is need of new windows and the landlords can't afford it. The landlord lowered the monthly rent after Denise assured them that they would stay there for several years, which they've done.

Mike Gougler agrees and understands the difficulty for the landlords.

Denise Bacon added her energy costs are now up, making her total rent costs too high.

Mike Gougler stated its money to builders and developers when there are tools that can be used to make it easier to develop. That's more important to them than a subsidy on SDCs. Programs should be available to help landlords change out windows, etc., making the rental more energy efficient.

Chair Smith agreed a rental-owner improvement grant program is needed.

David Beam replied it is important to preserve affordable housing funds. One of the ways in which to do that would be to provide loan money for rental improvements without the owner having to pay it back until the house is sold. The sale profits pay for the loan.

Mike Gougler agreed that can be done. Also, to use the loan, the landlord shouldn't be able to increase the rental price of the unit over a specific period of time.

Chair Smith stated the committee needs a proposal concerning this.

David Beam stated the housing trust fund concept has been supported by the Ad Hoc Committee. Details of how those funds would be used (like rental improvement assistance) will need to be worked out. City staff prepared a memo a few months back listing a set of potential uses for money within a housing trust fund.

Mike Gougler asked if the City find a way to facilitate the improvement of existing rental housing. The solution must include ways to improve the rental properties without increasing rents.

David Beam referred to the proposed changes to the Comprehensive Plan, which included adding the language, which would include a new policy stating that the City should place a very high priority on the preservation of existing affordable housing. This was a change that Mike Gougler had already suggested in past meetings.

Chair Smith pointed out Section 2, talking about some proposed changes to minimum lot sizes in all residential zones (P19.) He would rather not discuss that at this meeting, but it needs to be addressed at the next meeting.

Item (3) (P20) regarding planned unit development rules cannot be discussed until the committee has received and reviewed more information.

David Beam stated that will be presented to the committee at a future meeting.

Chair Smith pointed out Item (4) letter (b) regarding the elimination of the restriction on two-story accessory building so that accessory dwelling units may be constructed above detached garages or other structures. This also needs to be reviewed before sending off a proposal to City Council.

Julie Codiga stated if there are bedroom or bathroom windows in the ADU on the second floor, there may be some privacy issues. It could be a safety issue since you couldn't see inside.

Mike Willcuts replied with 2-story homes and only 6 feet between them, there is no solar access.

David Beam replied the new language states that the new window on the second story ADU would need to be opaque. He also referred to (P17) Item 1 (a) section (iii) the building design standards allow an alternative building height limit standard based on solar access and building height/setback ratio.
That could also be recommended as a general standard for all developments.

Mike Willcuts stated such a standard would takes away from the possibility of getting higher densities.

Mike Gougler stated most solar access codes eliminate density.

Chair Smith stated he likes Item 5 (P20) allowing more dwellings in neighborhood commercial areas. Item (6) is a point he has been pushing regarding the creation of expedited annexation proceeding for affordable housing projects. The overall proposal is becoming fairly comprehensive.

Item (7) regarding the reduction of parking requirements was an item that was already discussed by the Planning Commission concerning condominiums and unassigned parking places.

David Beam stated item 7 may not need to be included in the proposal if it is positively voted on by the City Council prior to the completion of this committee's recommendation to City Council.

Chair Smith commented that he also likes Item 9 (P21) on creating a new residential zone exclusively for the development of manufactured home subdivision and/or parks.

Mike Gougler stated that one part of the development code that needs to be modified is the RP zone. In doing a detached housing development in an RP zone, a variance must be obtained for the shorter setback. There should be some language that states, when a residential development is done within an RP zone, the shorter interior yard R-2 standards for setbacks apply.

V. NEXT MEETING: The next meeting is scheduled for December 18, 2008 at 7:00 p.m.

VI. ADJOURN: Chair Smith adjourned the meeting at 8:50 p.m.

Approved by the Ad Hoc Committee this 18th day of December 2008.

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

Tamara A. Bergeron
Ad Hoc Committee Recording Secretary

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