VOTE: To approve **Resolution No. 2007-2697** authorizing the Mayor to initiate a Sister City Agreement between the City of Newberg and the City of Poysdorf, Austria, as amended. (Unanimous) Motion carried.

4. Consider a motion approving **Resolution No. 2007-2698** establishing a new policy regarding System Development Charge waiver requests for project that assist low to moderate income families and individuals.

David Beam, Economic Development Coordinator, presented the staff report. (See official record for full report)

Councilor Rierson questioned whether the city currently has a waiver for up to two and if anyone takes advantage of that now.

Mr. Beam replied that there was such a policy. He was not aware of anyone having used it.

Councilor Soppe asked staff to talk about a certified nonprofit organization and questioned if there is a proper IRS designation and if it could be specified as to what percentage of the funds has been designated locally.

Mr. Beam responded that there was not a lot of local involvement or sweat equity. Funds came from fundraising and some of Head Start's own money.

Councilor Soppe mentioned that the federal government authorizes a certain amount of money and addressed the way the City calculates a System Development Charge (SDC). He cautioned about the need to do something to replace these funds or having to increase SDC's to cover it. He also questioned if it is legal to have some developers pay higher SDC's to make up for others who are excluded.

Mr. Mahr replied he had not heard of anything coming up. There may be litigation, but unless it is something substantial, he does not know the answer. He says there is nothing prohibiting the City from doing this, but it was never raised as an issue.

Discussion ensued about the differences between the types of non-profit organizations that could possibly apply for this waiver and who should be included or excluded, if any. It was determined that each case would individually come before the council and the decisions could be made according to each presentation.

Michael Eichman, 2045 SW Hwy 18, addressed himself to the council as the Executive Director of Head Start of Yamhill County. He stated he had no comments at this point and was just here to answer questions. He clarified some earlier questions about the different types of non-profit organizations, stating that 95% are 501C3 organizations, and a small minority in the other group. He says they can secure funds, but they would not be involved in political issues.

Mr. Beam stated the $37K that Head Start is asking to be waived was based on the original budget. It would make a big difference in the $500,000 they are short.

Roger Grahn, stated two things that give an idea of the impact of an SDC. He has been trying to build homes for our kids and he would like to build 1100-1200 sq. ft. housing (true starter homes) which they will never be able to afford at $275,000. In hard construction costs, SDCs are a huge percentage of the total for any builder, not just for nonprofit organizations. He claimed if an arbitrary number is chosen and a builder can be gotten to come in under, the homeowner can be offered a rebate and can easily use that as financing to get them into one of those houses. He has no suggestions for hard numbers, but someone can come in at that level or less, and build a decent home and these kids deserve a chance.

Councilor Soppe stated that something else has to replace these funds and somebody has to pay for this. He questioned where the funds would be coming from.

Mr. Grahn replied that was perhaps true, but it was not fair to have the same SDC for a small house as a $750,000 house, which is a huge percentage of a less expensive house and not so much of a portion of a more expensive one.

Councilor Currier asked Mr. Grahn's opinion about the construction of a 4000 sq. ft. building realistically costing 1.3 million dollars with the land given to you.

Mr. Grahn replied the estimate seemed a little high for him, but that this is far different from residential standards.

Councilor Currier made note that the waiver was for water and sewer only and under the ground rules of accepting this proposal it has the ability to go onto others, like a gas tax. He stated that if this passes we have ability to lose money with other organizations that are going to fall into this thing. The school district could, in theory, go out and build another school; there are four different churches in town that could take advantage of it too. If we want to look at water and sewer only, he might consider it, but take out transportation and storm water.

Mr. Bennett reminded council that when this was previously adopted, they did not have a storm water SDC.

Councilor Soppe asked if there was a transportation SDC at that time and why it was not included.

Mr. Bennett replied it was because water and sewer would have been services provided directly to the property, whereas transportation is a benefit of the community.

Councilor Soppe followed up on Councilor Currier's comments, stating that the city is not losing the funds, we are allocating where they come from, and we will raise the SDC rates when looking at the projects. The other developers are just going to pay a little more. Transportation SDC's will not pay for the kinds of things we are talking about paying for. This will not impact the kind of projects we are talking about here. We are not approving any waivers; we are just deciding if council should have the authority to do this and each time we have the option of saying no.

Councilor Rierson surmised the benefit to society and the reduced costs further on down the road outweigh the costs at the moment and felt this was a good reason to consider this.

Mayor Andrews questioned staff where we have a definition of low to moderate income families and children. He states we do not define it and we are not talking about just low income families and children, but anything that fits into the definition of low income. He questions if this could include churches.

Mr. Beam responded that it depends on the definition of nonprofit and they need to prove they serve low income people.

Mr. Eichman interjected that there were four definitions, the federal poverty guideline being the most accepted, title one which has different income threshold of funding, the free and reduced lunch program, and the federal housing authority. All have different numbers and usually refer back to the federal poverty guideline in terms of a percentage. The poorest is the federal poverty guideline.

MOTION: Soppe/Rierson to approve **Resolution No. 2007-2698** establishing a new policy regarding System Development Charge waiver requests for project that assist low to moderate income families and individuals, with the additional language recommended by staff (Item 5).

MOTION: Soppe/Rierson to amend Item 5 to read: "the SDC(s) in place at the time of change of use must be paid in full to the City." (6 Yes/1 No [Boyes]) Motion carried.

Mayor Andrews addressed Habitat for Humanity representatives present and asked, if on page 32 we deleted the requirement that it had to be nonprofit organization and all other criteria were met, would they be opposed to considering even a for profit entity.

Rick Rogers, 2625 NE Bell Road, stated in his experience, it is difficult to open the review process and he would leave council as many tools as possible. He would not have too much trouble with that change as long as bias was maintained towards low to moderate income groups.

Discussion followed concerning houses built for low to moderate income families and if the SDC's would be paid back if sold in ten years. It was decided to consider this at the time of use. Also covered was the idea that if the SDC's were waived the money would be collected elsewhere and the SDC's would need to be reevaluated and increased to account for this.

Mayor Andrews called for a five minute recess at 9:00 pm. The meeting was reconvened at 9:05 pm.

MOTION: Soppe/Palmer to amend Item 5 to read: "If within 10 years of granting the waiver(s) a facility receiving SDC waiver(s) from the City…" (6 Yes/ 1 No [Boyes]) Motion carried.

MOTION: Rierson/Soppe to amend Item 1 to read: "…low/moderate income children, families, and individuals, defined as 80% or lower of the median family income of Yamhill County according to the U.S. Housing and Urban Development (HUD)."

MOTION: Larson/Boyes to table **Resolution No. 2007-2698** to the next Council meeting. (3 Yes/ 4 No [Andrews, Palmer, Rierson, Soppe]) Motion failed.

VOTE: To amend Item 1 to read: "...low/moderate income children, families, and individuals, defined as 80% or lower of the median family income of Yamhill County according to the U.S. Housing and Urban Development (HUD)." (6 Yes/ 1 No [Boyes]) Motion carried.

MOTION: **Soppe/Rierson** to table **Resolution No. 2007-2698** to the next Council meeting. (3 Yes/ 4 No [Andrews, Palmer, Rierson, Soppe]) Motion failed.

VOTE: To approve **Resolution No. 2007-2698** establishing a new policy regarding System Development Charge waiver requests for project that assist low to moderate income families and individuals as previously amended. (4 Yes/ 3 No [Larson, Currier, Boyes] Motion carried.

5. Consider a motion approving **Resolution No. 2007-2699** authorizing the waiver of all City System Development Charges related to the construction of a new Head Start facility.

Barton Brierley, Planning and Building Director, presented the staff report. (See official record for full report)

Lisa Rogers, 26725 NE Bell, presented herself to council for questions.

Councilor Soppe stated the cost of construction seems kind of high.

Ms. Rogers replied the cost was based on bids. The largest piece is construction and this particular type of construction is different than conventional. It includes an air system that not only decreases the utilities expense but also creates a much healthier circulation system to prevent health issues from stale air and medical costs. The $500,000 is all construction costs, surveys, and architect fees.

Mr. Eichman stated that children really are our future and their program is dealing with the lowest income kids. The church has served them for several years and has outgrown us. They helped find a place for us to go. Addressing Councilor Currier, he stated they built the first building and spent significantly less money. It was mandated to pay the highest for any project in the city which almost doubles our construction cost. This is radically different. There are two competing scales, it just raises our costs by accepting those federal funds. We are no longer serving children in the Newberg area and there are over 100 in the county and we cannot serve them. This facility will increase our ability to do this.

Councilor Soppe asked if he considered it highly likely he will get the private funds and grants requested.

Mr. Eichman replied they are trying to pull all those sources together and the council's support shows the community that you support and value this project.

Councilor Soppe asked if the donation of the land by the church is included.

Mr. Eichman replied that $215 thousand is the land. The mortgage is to be paid for a 40 year term. It is donated, yes, but included for budget purposes.

Ms. Rogers stated the total is 1.8 million, through donated land grants. $312K is total amount in debt service, a funding source that is used but over time must be paid off. It is a wash and is included in the total.

MOTION: **Larson/Soppe** to consider a motion approving **Resolution No. 2007-2699** authorizing the waiver of all City System Development Charges related to the construction of a new Head Start facility including previous amendments. (3 Yes/ 4 No [Boyes, Palmer, Currier, Andrews]) Motion failed.

6. Consider a motion approving **Resolution No. 2007-2700** requesting a hardship water connection for service outside of the city limits for Monte Bowlin at 901 S. Springbrook Rd.

Dan Danicic, Public Works Director, presented the staff report.

Councilor Soppe addressed page 52, exhibit C, regarding the hardship criteria that annexation is not immediately feasible and asked if there was anything to stop the owner from applying for annexation.

Mr. Danicic replied if the owner was interested, he could. But it is zoned as industrial and he could not use his home as a residence, if the property were annexed. Even though it does not serve the needs of the resident or the city, he could annex tomorrow.

Councilor Rierson interjected that in two years he would have to vacate and he can only stay as a resident for two years, which is undue hardship.

Mr. Mahr clarified that council has, in the past, talked about legally being able to do it right away as the condition itself states, but the council is the body that interprets the code and in the past has had owners sign an agreement.

Discussion ensued about the letter from ODOT and their intent, as well as the time period.

Mr. Bennett emphasized it will be the same issue now or three months from now and the only place he can get water is from the city. The well is scheduled to be decommissioned on February 23rd. Mr. Bowlin will be out of water by the time we figure this out.

Councilor Currier stated, if you look at the location, you will notice the well is under pavement. We condemned that property. If we force his annexation, we force the new use of the property in two years. He has a small business and probably does not intend to do this. We created a problem and we need to fix it.

Mr. Grahn stated this is what he fought for so long. It was disapproved by council and then approved. The land was split into three different parcels. Mr. Bowlin's parcel was included, but he would be required to remove the house and at the time the council offered to extend to 10 years and we turned that down. He is not going to tear it down or consider an annexation. He currently pays $60 a month for potable water to drink and cook. Our alternative is to drill another well, but annexation is out of the question. ODOT has no responsibility or ethics or morals or anything else. He agreed to take care of this problem. The hook up is technically on