Scappoose Affordable Housing Strategy Technical Advisory Committee ~ Meeting #1
January 22, 2019, 6:00-7:00pm

Mayor Burge opened the meeting at 6:00 p.m.

Welcome and Project Overview

City Planner Laurie Oliver gave an overview. She thanked everyone for being here tonight and for being willing to participate. She explained as you may recall, last year we completed our Housing Needs Analysis. She explained, as a first step we updated fourteen chapters of the Development Code, just code changes to remove the barriers to the construction of more affordable housing types like apartments, and plexes, things of that nature. She explained one of the next steps in the Housing Needs Analysis was to develop an affordable housing strategy, which is also a City Council goal for this fiscal year. The timing worked out really well because the Department of Land Conservation and Development actually had grant money available to help cities with these types of projects. She explained we did apply for that and were awarded, and ECONorthwest was assigned to us to be our consultant to work on this plan with us. She explained tonight from ECONorthwest we have Lorelei Juntunen & Becky Hewitt. She stated they are going to explain some potential tools that the City could look at to increase the housing affordability here in town. She explained after that we will go into discussion, and Lorelei and Becky are really hoping to get some feedback on the methods the Committee thinks could work here and make sense for us.

Introductions

In attendance: Mayor Scott Burge, Council President Patrick Kessi, Councilor Josh Poling, Councilor Megan Greisen, Casey Mitchell with Community Action Team, Planning Commissioner Bill Blank, Councilor Brandon Lesowske, Councilor Joel Haugen, Councilor Natalie Sanders, City Manager Michael Sykes, City Recorder Susan Reeves, Legal Counsel Peter Watts, Lorelei Juntunen & Becky Hewitt, ECONorthwest, and Anne Debbaut with DLCD is on the phone.

In the audience: Economic Development Committee members: Len Waggoner, Susie Wilson, Brian Rosenthal, along with Cliff Bauer.

Presentation: Overview of Potential Tools

Lorelei Juntunen explained they are thinking of housing affordability in the context of both the capital "A" affordable rent subsidized housing and the small "a" affordable, meaning people can afford to pay for it. She explained they are thinking about the full range of affordability, especially understanding the context in Scappoose with all the new industrial development that is likely to be coming with OMIC here and the pressure that could put on your housing market. She explained that they have put together a memo, which they are going to go through with the Committee tonight. She explained, what they have done is gone over a wide range of tools and funding options and they want to use this conversation to help them figure out where this Committee wants them to go deeper, and help them focus the remainder of their efforts so they can make sure the outcome is one that works well for everyone here and that they are able to identify a set of tools, actions and strategies that match well with the Committees expectations.

Council President Kessi asked Lorelei if she could explain the difference between affordable housing and low-income housing, in case some people don't know the difference.

Lorelei Juntunen explained all of these words get used interchangeably. She explained if they are rent subsidized, restricted to people who have to income qualify in order to be able to use them, that is typically called affordable housing, with a capital "A". She explained then the small "a" would just refer to housing that matches the income of people who live here, where you don't have to income qualify to move into it. She explained low income housing is often times used interchangeably with capital "A" Affordable Housing.

Mayor Burge stated on the little "a" affordable housing, he is just remembering there are some readers that talked about the affordability based on the income and the value of the house, so he shared it. He wondered if anyone of that information was available.

Lorelei Juntunen replied there is a lot of that information available in the Housing Needs Analysis.

Lorelei Juntunen went over the funding tools. She explained they have brought forward three funding tools and there are others, but the ones they brought forward are those that through initial conversations with staff felt like they had the best potential for the City. She explained if you are aware of other funding tools and want to talk about those, we can bring those up in the discussion. She explained the tools listed could provide funding to support affordable or workforce housing development without diminishing City resources. She explained there are guidelines on how that revenue has to be used, which she reviewed.

- **Construction Excise Tax: Levies a tax on new construction projects to fund housing programs/investments. Can be applied to residential and/or commercial and industrial development.**

Lorelei Juntunen explained the Construction Excise Tax is actually a new tool. She explained the way this works is it is a charge on new development, and it can be applied to residential development or commercial and retail development, up to one percent of the permit value. She explained if you are targeting a CET for commercial and industrial development there is actually no cap at what the rate can be, and it is available much more flexibly. She explained the money comes from development. She stated on the plus side, especially in the context of commercial or retail or industrial, CET gives you the ability to do something which seems pretty important in Scappoose, which is to link new industrial development to the housing that it generates demand for because you are charging it on that new construction. She explained it is a pretty flexible funding source, and only fifty percent has to be used for developer incentives. She explained what accounts for a developer incentive is pretty broad, especially with the commercial and industrial CET. She explained there are specific requirements for residential.
She explained this is a tool that is sort of meant to pay for itself because some of the money may be set aside for administration for staff to be able to collect the revenues and other things. She explained on the con side it does increase development costs, because it is a new fee that goes on new development when it occurs. She explained if this is something the City was interested in having them explore, they would want to think about what those impacts look like. She explained often times this can be passed on to tenants and home buyers in the form of higher

cost, but it is a one percent fee upfront. She explained CET revenue moves with development cycles so when there is a lot of development happening it will be higher, and when there is not a lot it will be less, so that is something to be aware of and you'll need to plan for that.

• Local Option Levy: Creates a time-limited property tax, subject to voter approval, that is levied in addition to a City or taxing jurisdiction's permanent rate to pay for specified programs or investments.

Lorelei Juntunen explained about the Local Option Levy tool, which everyone is probably familiar with because it is a commonly used tool which can fund a wide range of municipal needs. She explained you can have a five-year levy that is available for operations or a ten-year levy that is available for capital projects. She explained it is an additional amount that is charge to your property taxes, and therefore it is subject to voter approval. She explained the pros are that this is a very flexible funding source. She explained you do have to choose a capital levy or an operating levy, but within that it is very flexible. She explained what each levy can be used for. She explained levies are often paired with other funding tools. She explained on the cons side it does require a city-wide public vote, and you have some fluctuation that is possible with development cycles.

In the handout it states ~ In addition, the City is already considering adopting Urban Renewal (described below). This memorandum is not intended to provide a comprehensive overview of urban renewal, or to recommend a decision on urban renewal itself. Rather, it describes how urban renewal funding, if available in the future, could be applied to housing programs or investments.

• Urban Renewal: A funding tool that would generate revenue from increases in the designated area's assessed value to pay for capital investments in the area. Funds could be used to support housing development in the area, including paying for infrastructure improvements, predevelopment activities, land acquisition, or System Development Charges.

Lorelei Juntunen explained last on the funding side is Urban Renewal. She explained the City is engaged in a separate conversation around Urban Renewal, and that will continue. Here we are talking about how you might use Urban Renewal dollars specifically for housing purposes. She explained Urban Renewal is a funding source that first requires you to develop the boundary, so it is only for a subset of the City. Inside of that boundary as assessed values grow, the tax revenues that the growth generates are captured and sent to an Urban Renewal Agency for reinvestment inside of the boundary. She explained what the revenues could be used for. She explained this is often paired with other funding sources. She explained Urban Renewal can only be spent within the adopted Urban Renewal boundary, which the City does not have yet.

Becky Hewitt explained because the boundary that is under consideration right now is really focused on the industrial areas, that is something we need to think about in terms of the ability to use it for housing, since you would probably be thinking about housing that would happen more in an urban context and not out in the industrial area. She explained it might be more of a mixed-use development, or something like that.

Councilor Lesowske stated he has a clarifying question ~ they had indicated with CET you would be able to connect new industrial development to increased housing development. He asked could you explain how you make that connection?

Lorelei Juntunen replied as new industrial development occurs, if you imposed a CET, you would be charging it on that new development, so it would be directly generating revenue that you can then turn around and reinvest in housing to support the workers who will be occupying those jobs in the industrial area.

Becky Hewitt replied, with the flexibility you have with CET you could make a choice to specifically invest in worker housing or student housing. She explained you could make policy choices about the types of housing you want to invest it in.

Councilor Haugen asked if any Oregon community has passed a local option levy for affordable housing?

Lorelei Juntunen replied lots of them have passed local option levies. She stated whether or not any of them have passed them for housing, they would want to research that. She explained there are GO Bonds that have been used for affordable housing.

Councilor Haugen stated, so there may or may not be local option levies that have been employed for "A" or "a's".

Becky Hewitt replied there has at least been serious consideration, and they need to do a little more research to see if anyone has done it in Oregon.

Lorelei Juntunen explained a number of communities are interested in the potential for a local option levy because it is one of the few funding sources that is available for programmatic and operational expenses.

Councilor Poling asked if there is any feedback from Cities that have used CET?

Lorelei Juntunen explained there is not a long track record of this, as they are still gathering information on that.

Becky Hewitt explained the City of Bend has one that predates the Ordinance, so it was grandfathered in, and so it is not subject to all the same rules. She explained Bend only charges a third of a percent, and during the recession they dropped it. She explained because Bend had been generating revenue for so long and they had planned ahead for development cycles, they were actually one of the largest construction lenders during the down turn.
Lorelei Juntunen explained the Statute states, regarding residential, you can go up to 1% of the permit value, and it is uncapped on commercial.

Council President Kessi talked about CET on the residential side, which makes it less affordable for developers because it adds another cost. He explained on the commercial and industrial side, CET makes a little bit more sense because then we can support the workers who are working there that might not be able to afford a place to live here. He would be concerned about getting those jobs to happen.

Becky Hewitt explained there are certain exceptions in the Statute on what types of developments do not pay, and the City can create others. She explained there is some wiggle room in regard to particular categories of housing on which it should not apply.

Housing Affordability and Availability

Becky Hewitt went over the Property Tax Abatement Programs. She explained there are several property tax abatement programs that can be used to leverage private housing development to provide benefits (e.g. a portion of units at reduced rents, or ground floor retail in key areas) that the market may not deliver on its own. She explained there are three that they thought were worth considering because of what they can leverage, potentially.

Becky Hewitt went over the three:

• Multiple Unit Property Tax Exemption (MUPTE): Can be used to incentivize multifamily housing with particular features or at particular price points by offering qualifying developments a partial property tax exemption for 10 years.

Becky Hewitt explained through a multifamily tax exemption, a jurisdiction can incentivize diverse housing options in urban centers lacking in housing choices or workforce housing units. The abatement applies to improvement value only and lasts for 10 years, except for affordable housing, which lasts as long as the affordability restriction lasts. The City could create a new program with specific eligibility and project selection criteria. This requires developing and administering a program that meets statutory requirements and ensures property owner compliance.

Becky Hewitt went over the pros and cons ~

Pros:

- The City sets eligibility criteria and controls application process and project selection.
- Program is flexible to support various objectives related to encouraging housing.
- Tax abatements can contribute to the feasibility of both market-rate and regulated units.
- Saving on operational costs contributes to greater net operating income, which is important in determining project value and subsequently the development feasibility.
- The City can use the abatement program to incent private development to include some affordable units, or to incent higher density housing or other specific types of housing not being delivered by the market.
- Since applicants need to prove that the project would not be feasible without the exemption, the funding only goes to developments that would not have otherwise occurred.
- The City can set an annual cap on the total amount of tax exemptions in any given year for all projects.

Cons:

- Some developers will be discouraged from applying due to a potentially cumbersome application process.
- City must weigh the temporary (up to 10 years) loss of tax revenue against the potential

attraction of new investment to targeted areas.

- Reduces general fund revenues for all overlapping taxing districts, which could make it harder to promote the tool to partner jurisdictions that do not perceive the same project benefits.
- Can be competitive, depending on the criteria that the City outlines.
- Must get affirmative support from enough overlapping taxing districts to apply to their tax collections.

• Vertical Housing Development Zones (VHDZ): Incentivizes higher density housing and mixed-use development by offering a partial property tax exemption for 10 years to mixed use developments that include housing as well as non-residential use (e.g. retail on the ground floor), with a larger tax exemption for higher density developments. In addition, the City could use property tax abatement to reduce the cost of providing government-funded affordable housing for low-income households, as described below.

Becky Hewitt explained this is specific to multi story mixed use development. She explained the City's discretion about how to use it is just what location to use it for. She explained this would only make sense in an area where you want ground floor retail and you want housing, both in the same place.

Pros:

- Targeted tool to support mixed-use development in places with locational advantages.
- Overlapping taxing districts must take action to opt out, rather than having to take affirmative action to approve zone designations and project applications.
- Incentivizes higher density development as well as mixed-income development.

Cons:

- May provide insufficient incentive to lead to affordability unless paired with other tools.
- Requires retail space, which may not be viable or appropriate for all projects.
- Can't qualify until project is under construction - creates uncertainty for developer & lenders

Public Works Director Dave Sukau arrived at 6:28 p.m.

Mayor Burge explained he was just reading about the 80 percent of area median income or below. He asked is that within the City of Scappoose, or is that a greater area?

Becky Hewitt replied the area median income is usually at the County level.

City Planner Oliver replied she thinks ours is currently up over 71,000, and the County is close to 60,000.

Becky Hewitt replied she will double check that. She explained with the overlapping taxing districts, unlike the MUPTE, with the MUPTE you have to get them to opt in, and VHDZ they have to take an action to opt out.

Councilor Haugen asked Becky, when you use the term abatement are you saying a hundred percent of the tax revenue would be lost then to the City?

Becky Hewitt replied no, with MUPTE it is the improvement value that is abated, and not the land. She explained with VHDZ, if you are not doing affordable housing, which again they haven't seen anyone do, a percentage of the improvement value is abated that is related to how many floors you have.

• Nonprofit Low-Income Rental Housing Exemption: Provides a simplified way for affordable housing owned and operated by a nonprofit to qualify for a property tax exemption.

Becky Hewitt talked about the Nonprofit Low-Income Rental Housing Exemption. This tax exemption program would apply to rental housing for low income persons that is owned, being purchased, and/or operated by a nonprofit. It would also apply to land held for affordable housing development. Land and improvements are exempt for as long as the property meets the criteria, but developers must reapply every year to show that they continue to meet the program criteria. To enact this program, the City would need to adopt standards and guidelines for applications, and enforcement mechanisms. Rents within the eligible properties must reflect the full value of the property tax abatement. This program would provide an opportunity to assist nonprofits providing affordable housing in the community by lowering operating costs. Affordable housing provided by the Housing Authority, which accounts for most of the current affordable housing supply in the city, is already exempt. The City gives up tax revenue; other taxing districts may also give up revenue if enough agree to participate. Some nonprofits may go through the County Assessor's office to obtain an exemption, even without a local program, so the net fiscal impact of this program may be limited.

Becky Hewitt went over the pros and cons.

Pros:

- The affordable housing tax abatement can be used for any non-profit affordable housing development.
- No requirement that construction be complete prior to application.
- Reduces carrying costs before development occurs (tax exemption available for land being held for development of affordable units), and offsets operational costs once the development is complete.

Cons:

- Reduces general fund revenues for all overlapping taxing districts if properties that would not otherwise have received an exemption are approved through the program.
- Must get affirmative support from enough overlapping taxing districts to apply to their tax collections.
- Limited applicability/eligibility, since it does not apply to mixed-income housing or affordable housing built by for-profit developers.
- The requirement for the property owner to resubmit eligibility documentation every year may be burdensome.

Mayor Burge asked on the agreements, if you get that fifty-one percent that say yes, and then elections happen and someone says never mind we don't want that anymore, can they retroactivity remove themselves from that? He asked once the taxing district makes the decision is it permanent or not?

Becky Hewitt replied that is a great question, and she doesn't know the details, but she can look it up and get back to the Committee.

Casey Mitchell, Community Action Team, explained Columbia County has a housing authority that issues vouchers that was set up in the 50' or 60's. He explained when they have done affordable housing developments, they have partnered with Columbia County to bring that tax-exemption in. They just decided it was easier to bring the Columbia County Housing Authority into the deal, because it just streamlines things.

Becky Hewitt explained Washington County uses the nonprofit tax exemption, as well as the City of Portland.

Chief Norm Miller arrived at 6:42 p.m.

Discussion:
What questions do you have about the tools?
Which do you think are of greatest interest at this point?
Any tools that the TAC doesn't want to consider further at this point?

Becky Hewitt explained that is it for their presentation, and now they would like to hear what the questions are, get feedback on which ones you are most interested in, and feedback on ones you feel are not worth spending more time on.

Bill Blank asked if they see this as a relatively short period of time?

Becky Hewitt replied a few of these you'd want to try to act on quickly because once the development has been issued the building permit, it is gone, not coming back and you won't get that revenue. She explained if you wanted to do CET on commercial and industrial development, it would be worth trying to move on that relatively quickly to make sure you capture as much as possible. She explained it would be similar for something like MUPTE.

Bill Blank talked about rent caps.

Lorelei Juntunen replied specifically what they are talking about is not on new construction, only on existing construction.

Councilor Lesowske asked with the VHDZ would it be possible, based on our vision of what a town center would look like, could it be based block to block on those developments, rather than a clean slate.

Becky Hewitt replied yes, it is parcel by parcel.

Councilor Haugen feels we should either go with CET or the Urban Renewal District and use those two. He doesn't see a local option levy working.

Council President Kessi explained if we studied CET further, we would do it on commercial and industrial and not on residential. He stated when we study it, we want to make sure it doesn't prohibit development of jobs that we need to pay for housing and make more small "a" affordable.

City Planner Laurie Oliver explained the good news is the properties out by the airport are in the enterprise zone so they are getting a five year property tax abatement anyway, so this is a way for the City to capture some money to put back into housing.

Casey Mitchell explained he would be interested in seeing the impacts of 1% and then maybe 5%.

Becky Hewitt replied that is one of the things they would do, if this is of interest.

Mayor Burge explained to him it seems like the nonprofit low-income tax abatement seems like a no brainer.

Councilor Poling explained he likes the Urban Renewal funding tool, but he thinks the only concern is that we have the initial vision of where the Urban Renewal is for our area, but we would really have to look at how that would fit for new development.

City Planner Laurie Oliver replied it essentially overlaps with the Downtown Overlay, you can only go three stories up anyway.

Becky Hewitt replied one thing you can consider is if you have any area where you thought you might use Urban Renewal Funds then you might want to put in VHDZ as another layer in that.

Councilor Greisen asked if there are any pros or cons to using multiple tools and programs.

Lorelei Juntunen replied there are no real cons to using multiple tools.

Becky Hewitt replied she thinks on the funding side, the only question in her mind would be would you want to pursue two new funding sources at the same time, because that might me a lot.

Lorelei Juntunen explained it is interesting to think about using them together because the funding tools are all proactive, they let the City be the driver because there is revenue that is available to invest in developing projects or supporting operations depending on which deal you go with, where as the abatements are all more passive.

Council President Kessi explained he likes the MUPTE because it is an incentive.

City Planner Laurie Oliver explained what they have talked about is if we do have CET that can sort of back fill some of the tax money that the City has abated.

Becky Hewitt explained if you do residential you have to use some of it for tax abatements. She explained if you don't do residential, then 50% must be used for housing programs, however you define that. She explained one thought would be if you did CET and MUPTE you could, if you wanted to focus it this way, take at least 50% of the CET revenue and pair it with the same ones that are getting MUPTE. She explained if the MUPTE isn't enough to get them to put in the affordable units, maybe we will kick in a little additional CET revenue. She explained paring the CET revenue and the MUPTE is something you can look at.

Lorelei Juntunen gave an overview of what she heard ~ definite interest in CET, probably focused on commercial, and industrial, interested in continuing Urban Renewal conversation and see how that might fold into a housing strategy, no local option levy, Nonprofit property tax exemption is one they should look into, no VHDZ except in that it might relate to implementation of the town center, and MUPTE would be something to look into. She stated that is three focused tools ~ CET, Nonprofit, and MUPTE, and a couple of others that float around through general conversations.

Council President Kessi asked if they can recommend basic tools that we can have to help with the permitting and approval process not taking as much time. He explained because time costs a lot of money which adds to the end product.

City Manager Sykes stated he thinks we are pretty prompt at getting our permits out the door. He explained one thing he hopes we would also look at is what impact will this have on City revenues because if we add more people, we are going to need to pay for more police officers, and if we are exempting all property we are going to have a hard time keeping up with the needs that are being generated.

Mayor Burge adjourned the meeting at 7:01 p.m.

Scott Burge

Mayor Scott Burge

Attest:

Susan M Reeves

City Recorder Susan M. Reeves, MMC