

**MONDAY, MAY 20, 2019**  
**TECHNICAL ADVISORY COMMITTEE FOR AFFORDABLE HOUSING**  
Consultants from ECONorthwest ~ Lorelei Juntunen and Becky Hewitt  
City Planner Laurie Oliver  
**at 6:00 p.m.**

Mayor Burge opened the Technical Advisory Committee for Affordable Housing meeting at 6:01 p.m.

Present: Mayor Scott Burge, Council President Patrick Kessi, Councilor Megan Greisen, Councilor Josh Poling, Councilor Joel Haugen, Councilor Brandon Lesowske, Scappoose Planning Commissioner Bill Blank, City Manager Michael Sykes, City Planner Laurie Oliver, City Recorder Susan Reeves, Legal Counsel Peter Watts, Assistant to City Manager Alexandra Rains, Police Chief Norm Miller, Consultants from ECONorthwest ~ Lorelei Juntunen and Becky Hewitt, and Anna Del Savio, Columbia County Spotlight.

City Planner Laurie Oliver thanked everyone for being here and explained this is the third and final Technical Advisory Committee meeting for the Affordable Housing strategy.

Lorelei Juntunen, ECONorthwest, stated thank you for having us tonight, we are excited to get so close to the finish line. She went over the power point.

Scappoose Housing Strategy  
Technical Advisory Committee Meeting

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Project Status and Next Steps

- Analysis Complete
- Draft Recommendations for TAC consideration
- TAC Recommendation will be forwarded to Council
- Council will review, and if there is support, acknowledge and direct staff to advance the recommendations

Lorelei Juntunen explained we are done with our analysis at this point and are looking forward to hearing what this committee has to say about the recommendations that they are bringing forward so that Council can then weigh in from there. She went over the Summary of housing tools considered and implementation recommendations.

Exhibit 1: Summary of housing tools considered and implementation recommendations

Tool	Description	Preliminary Recommendation	Rationale
<b>Locally-Controlled Funding Tools</b>			
<b>Construction Excise Tax (CET)</b>	Levies a tax on new construction projects to fund housing programs/investments. Can be applied to residential and/or commercial and industrial development.	Implement a 1% CET on commercial and industrial development, with an exemption for small projects under \$50,000.	Opportunity to leverage industrial development that will bring new jobs to generate revenue to help support housing and economic development.
<b>Local Option Levy</b>	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.	Not recommended for near-term implementation. Revisit longer-term if additional funding for affordable housing programs is a priority.	No appetite locally for property tax increases. Concern about impact on existing residents and businesses.
<b>Urban Renewal</b>	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.	As part of the Urban Renewal Plan, establish a program that allows the City to use Urban Renewal funds to provide funding/financial incentives for housing and mixed use development in the downtown.	Program can be highly discretionary—City can select only housing projects that are not viable without public investment and that would help bring energy and investment to the downtown as well as increasing housing supply.
<b>Property Tax Abatement Programs</b>			
<b>Multiple Unit Property Tax Exemption (MUPTe)</b>	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.	Not recommended for implementation at this time. Re-evaluate in future if market rate multifamily development is facing financial feasibility challenges.	The market is changing rapidly, and multifamily housing may not need public support at this time. There is also limited staff capacity to administer a program in the near-term. Also, multifamily development is likely to occur in commercial zones that are also in the proposed Urban Renewal Area. With TIF revenues projected to be limited already, the tax abatement is a concern.
<b>Vertical Housing Development Zones (VHDZ)</b>	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.	Apply to the block across E. Columbia Ave. from City Hall, to specifically encourage multi-story mixed use development in that area, consistent with the urban design framework.	Interaction with urban renewal is a minimal concern due to the small geographic area, limited eligibility, and the fact that only part of the improvement value is exempt, so some increment flows to the urban renewal district right away.
<b>Nonprofit Low-Income Rental Housing Exemption</b>	Provides a simplified way for affordable housing owned and operated by a nonprofit to qualify for a property tax exemption.	Work with overlapping taxing districts to adopt this exemption.	Supported by TAC. Helps streamline an exemption many people already assume is in place.

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### Reminder: What we Considered

- Construction Excise Tax
- Local Option Levy
- Urban Renewal
- Multiple Unit Property Tax Exemption
- Vertical Housing Development Zone
- Non-Profit Low-Income Rental Housing Exemption

(See Exhibit 1 for details)

Becky Hewitt talked about CET.

#### Draft Recommendations: Construction Excise Tax

- CET recommended for adoption
- Recommended parameters:
  - 1% on commercial & industrial development
  - Exempt all projects under \$50,000
- Recommended use of funds:
  - 4% for administration (max allowed)
  - 48% for housing: make available to non-profits
  - 48% unrestricted: allow use for economic development or housing

Mayor Burge stated he is still opposed to the excise tax. He thinks when we are working on economic development, adding in the 1% on the total cost when you are in a competitive market, means some businesses may choose not to locate here. He stated he will pass on this.

Becky Hewitt stated one of the things on how the funds could be used, and she is curious whether this would influence his thinking at all or mitigate his concerns at all, after taking out 4% for administration, and you will need at least that much for administration or maybe more, is that you would spend half of the remainder for housing and the other half is unrestricted and you could use it for economic development efforts.

Mayor Burge replied assuming the State doesn't destroy the Enterprise Zone, he stated we already get the betterment funds that we use for economic development. He stated he would use 100% for housing.

Councilor Haugen explained he is for a 1% or 2% CET, simply because that is an insignificant amount for a commercial project. He stated, to him this is significant and a useful tool.

Council President Kessi stated in general he is more in favor of doing something to incentivize affordable housing rather than taxing the industrial or commercial projects to pay for affordable housing. He would rather create programs to incentivize affordable housing. He explained that is why he thought the MUPTE program was something that incentivized affordable housing because we could offer property tax abatement, but to get it, they would have to meet certain criteria, whatever that might be. He would rather incentivize versus taxing.

Mayor Burge explained knowing that we have people building apartments anyway, if you want to create affordability couldn't we leverage more affordability by going to some of the owners of the units that have been here for twenty or thirty years and work with them to do a ten year abatement on their taxes. He stated they are here, we know they are here, and it could help them keep their prices down. He stated to him that seems like a better use of public resources because their rents are going to be lower already so helping them hold them down seems like you could



benefit more units. He stated it seems to him that incentivizing someone who is going to build a new place, that they are already going to build anyway, is just lining their pockets. He stated incentivizing something that is already here to hold down the price when we already have the market being built, makes more sense.

Councilor Poling explained he is concerned about restricting our growth, especially when there is so much possibility of industrial and commercial growth. He does have a little bit of concern about adding another fee on top of it. He is not 100% against it, but he is leaning toward the other direction.

Planning Commissioner Bill Blank stated from his perspective, he is curious as a nonprofit (works with Habitat for Humanity), there were some questions about using things to help out nonprofits. He asked about help, such as giving them a break on system development charges and items like that, or if there is an economic development fund or some other resource. He stated because affordable housing means you have to make it affordable. He explained he works with a nonprofit and 30% is what they ask for their income to be used on housing, but most of those people are already spending 50% just on rentals, so somehow we have got to find a way if we do ask for that, where is that money coming from.

Planning Commissioner Bill Blank stated partial system development waivers are the main things they have been able to get. They have had the waivers from the City of St Helens, for the projects Habitat for Humanity has done there. That's what made the projects work.

Becky Hewitt stated rather than not collecting the system development charges on affordable housing you could pay the system development charges for a nonprofit affordable housing development out of construction excise tax revenue. She explained you would also have flexibility to offer gap financing or pay the cost of a sidewalk improvement or other improvements that are being required. She explained if you don't have a funding source your only option is to not collect that, or not get the improvement, in order to help the project work.

Councilor Haugen replied part of his argument for a CET is that he views it as though we are leveraging our geographic advantage. He asked if there is any way we can enter that into the equation because he thinks we do have a geographical economic advantage.

Lorelei Juntunen replied that was part of the discussion at previous meetings that lead to this one still being on the list.

Councilor Greisen replied she is on board with more of an incentive than a tax, however she feels there is more the need to create something to be given. She agrees with the comment that businesses that are putting something in over \$50,000 perhaps would be willing to give a little bit more, like 1%, so that people they employee can live near their workplace. She thinks that the goal out of all of this is affordable housing. She stated someone who is coming to develop always has the choice to develop someplace else. She doesn't think that a CET is going to force them to go somewhere else.

Councilor Lesowske explained he is on the fence about CET. He explained he does see it as a good opportunity for us to create a funding source for affordable housing. He thinks that OMIC is something that we have invested a lot of time, energy and resources in, in the hopes that it will be attracting a lot of large commercial and industrial developments. He stated to help offset and alleviate the housing need, he thinks having a 1% tax associated with those developments is a company investing in their future workforce and being able to offer that to them. He stated he thinks this is something we should definantly keep, if not adopted, we keep as an opportunity.

Councilor Poling asked when would they pay the CET's, upfront?

City Planner Laurie Oliver replied when they pull their building permit.

Lorelei Juntunen reiterated there is no action this committee is asked to take tonight, except for helping them to solidify the recommendation that goes to Council at their next meeting. She stated right now she is hearing a pretty evenly split group. She did a thumbs up, thumbs down to find out. She stated it is important to not forget some of the conversations that led to this one not getting axed prior to now, those conversations included the need for a funding source of some sort so that the City could be at the table to influence the kind and nature of affordable housing that occurs and be able to provide a grant program that can help move those projects forward and sometimes it can be a very small amount that can make a big difference in a development proforma. She stated you are absolutely right that throughout this there have been concerns raised about the nature of the impact on potential new businesses that might be moving into the area. She explained they landed on 1% and exempting all projects under \$50,000 in response to that, but ultimately it is up to Council to determine whether that is too much or not.

Becky Hewitt asked for those who are unsure or are a no, is there any change to what is up here that would move you towards yes, or possibly towards no, that would help you reconcile what direction to go? Is it a different rate or a different fund, is there anything you would change if Council would do this? What would you want it to look like?

Councilor Greisen asked how Council President Kessi feels about the \$50,000?

Council President Kessi replied he likes that number but is concerned because construction costs are high right now and every extra fee we pass to the developer makes it harder for a project to go forward. He explained the cost trickles down; it is not just the owner that pays that.

Councilor Haugen asked would the CET be able to have a sunset if needed?

Lorelei Juntunen replied you could just repeal the CET if you wanted.

Becky Hewitt explained you could repeal CET, you can also change the rate at any time. She doesn't feel there is any reason why you couldn't structure it upfront with a sunset date.

Mayor Burge explained he wouldn't do the CET he would dedicate a portion of the betterment funds from the enterprise zone to this type of fund.

Becky Hewitt explained that is something they would want to check into.

Planning Commissioner Bill Blank stated something you would definitely want to check into it first. He stated at some point and time sounds like you want to find that money for nonprofits that need those funds. He stated they wouldn't have been able to build in the areas they did if they if they didn't receive assistance, because it affects how many homes they build and that is part of the affordable housing. He stated the more opportunities there are the more they can do.

Legal Counsel Peter Watts replied he will look into that option.

Becky Hewitt explained, in regard to affordable housing, we don't have to nail down all of those details now, but it sounds like you'd want all funds collected to go towards housing. She asked if you have something in mind that you would want to limit it to further, to specifically affordable or non-profit, or are you thinking housing generally?

Councilor Poling replied he thinks having that affordable housing and non-profit really fits into that category.

Lorelei Juntunen explained one option that would potentially be available here is to document a recommendation and an agreement that the City should find funding to support affordable housing and say here are two options that have been considered ~ CET, with a pretty specific policy parameter and an analysis for supporting it, and this idea about using the betterment fund (provided that we can find it is not statutorily prohibited), and maybe provide a specific set of next steps and questions that you as Council would direct staff to pursue.

Mayor Burge talked about the legality which Legal Counsel can check into.

Lorelei Juntunen asked, assuming it is viable, would that be the kind of recommendation that the TAC might feel comfortable forwarding on to Council, and that you think Council might be willing to support.

Mayor Burge and Council President Kessi replied they would feel more comfortable with that.

Lorelei Juntunen explained she thinks she sees a path forward on this recommendation which is to broaden it a bit to recognize that revenue is necessary. She asked if anyone wants to argue with the recommendation to not include a local option levy?

Mayor Burge replied since we are going after a fuel tax this fall, one of the reasons he is against even the 1% is he just doesn't want people to think we are nickel and diming them.

## Draft Recommendations: Urban Renewal

- Urban Renewal plan moving forward separately
- Recommend including financial incentives for housing / mixed use development as a project to enable investment if the project is right

Becky Hewitt stated everyone is aware there is an Urban Renewal process happening. She stated the question is whether you would recommend to Council to include housing or mixed-use development as a project in light of your affordable housing strategy. She asked is Urban Renewal a tool that you want to use for that or not, if not, then it goes away.

Council President Kessi replied he is in favor of the urban renewal.

Mayor Burge stated he is just looking for a resource we can use other than having the tax.

Anna Del Savio, Columbia County Spotlight left at 6:42 p.m.

## Draft Recommendations: Property Tax Abatements

- Non-Profit Low-Income Rental Housing Exemption
  - Streamlines exemption for non-profits
  - Applies citywide
- Vertical Housing Development Zones
  - Incent multi-story mixed use development (market-rate or affordable)
  - Apply on E. Columbia Ave. across from City Hall, (consistent with the urban design framework)
  - Fully within proposed URA
- Next step: discussions with other taxing districts

Becky Hewitt talked about non-profit low income. She also talked about vertical housing development zones and explained because it requires ground floor commercial it is not a great fit

for a lot of affordable housing development. She explained it is best for incentivizing market rate mixed use development.

Councilor Haugen replied why are vertical housing development zones only abated for 10 years?

Becky Hewitt replied because the statute says so. She explained it could be a small benefit for a small number of properties.

Lorelei Juntunen talked about VHDZ and the recommendation to Council would be to continue to explore those through the process of defining a geography and the other parameters of your program and then adopting it down the road.

Planning Commissioner Bill Blank mentioned how, in reality, developments that set aside a percent of units for affordable housing (i.e., the Pearl District in Portland) haven't actually worked out as intended.

Becky Hewitt talked about MUPTE and explained they are not recommending it at this time.

Bill Blank asked when do you think would be a good time to revisit that?

Becky Hewitt replied two years. She thinks you will know a lot more in two years from now about what is happening and what is not happening, and you will have seen some of the employers start to come in and she thinks they will have a sense for it.

Council President Kessi talked about what Mayor Burge had mentioned in regard to older housing product and how to incentivize the older product to stay affordable. He asked is there a program for older product?

Becky Hewitt replied she believes MUPTE can be used for rehab, but she would need to double check the language.

Council President Kessi talked about making it for 20 units and above.

Becky Hewitt replied regardless of number of units, you would be signing up for some level of compliance and monitoring over time to make sure people were consistent with the program parameters.

Lorelei Juntunen explained what she is hearing is the desire to have a tool that is targeted towards rehab specifically. She explained MUPTE is one way we might be able to do it and they can check the statute to make sure that's the case, but there are other tools that could also be specific for this problem, which sounds like it is pretty property specific. She explained what we could do, if the committee feels they could support a recommendation like this, is document an agreement that there is an interest in a program, an abatement that is targeted towards rehab and they could outline a few next steps that would identify issues or questions that need to be resolved to make that happen.



Mayor Burge stated he likes that.

Councilor Poling replied we are still kind of stuck where we need more growth in that area because when you look at the availability there is no availability for even apartments right now.

#### Draft Recommendations

- **Not recommended at this time:**
  - Local Option Levy
  - Multiple Unit Property Tax Exemption

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#### Recommended Next Steps

- CET
  - Outreach & messaging to business community
  - Adoption ordinance
  - Create program / structure for distributing funds
- Urban Renewal
  - Include housing/mixed use development in UR project list
- Non-Profit Low-Income Rental Housing Tax Exemption
  - Outreach to overlapping taxing districts
- VHDZ
  - Courtesy outreach to overlapping taxing districts
  - Official notice to overlapping taxing districts

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Lorelei Juntunen did a recap: CET ~ there is a good agreement among the group that we definitely need to identify a revenue source but we have split opinions about CET, so describing where we have been with that and what the recommendations would be on CET and also identifying the additional funding source that comes through the economic development money from the State as a potential alternative to consider and identifying the next steps that should be taken to clarify that. She stated no local option levy, yes Urban Renewal, should include projects related to housing. She explained MUPTE is a bit of a transition to more of a focus on outcome of rehabilitation that includes affordability and we can look at other options that might also achieve that and make sure that the statutes allow you to do that. She stated yes to VHDZ, recognizing that there are more conversations about geography, and yes to the nonprofit low-income rental housing exemption.

Council President Kessi stated if there are other little things, to make it more affordable for developers to build, like if there is a stream lined process, if there are things that people are doing other places, plans that are already engineered so it saves times, all the little things add up to a lot for affordability.


City Planner Laurie Oliver explained depending on when we get the information back, we will get this on the schedule to go before Council.

**Adjournment**

Mayor Burge adjourned the Technical Advisory Committee Meeting at 7:02 p.m.

  
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Mayor Scott Burge

Attest:

  
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City Recorder Susan M. Reeves, MMC