

**MONDAY, JUNE 1, 2020**  
**AFFORDABLE HOUSING POLICY WORK SESSION, 6:30 p.m.**

Mayor Burge called the work session to order at 6:30 p.m.

Present: Mayor Scott Burge, Council President Patrick Kessi, Councilor Megan Greisen, Councilor Brandon Lesowske, Councilor Pete McHugh, City Manager Michael Sykes, Police Chief Norm Miller, City Recorder Susan Reeves, City Planner Laurie Oliver. Also, present Amy Lindgren.

Remote: Councilor Joel Haugen and Consultant Becky Hewitt, ECONorthwest.

City Planner Laurie Oliver explained as you know we have been working for some time now on Council Goal 2F, which is to complete an Affordable Housing Plan. She explained they looked at the available tools and narrowed down those tools to see what best fits at this time to implement in the City of Scappoose. She explained Council was sent a memo from ECONorthwest April 21 and were asked to complete an online survey response to that memo by May 4. She stated we appreciate your responses and those have been included in your packet tonight. She explained Becky Hewitt with ECONorthwest is on the phone with us to summarize the results of the survey and to discuss next steps and also to answer any remaining questions Council may have.

Becky Hewitt, ECONorthwest, thanked all the Councilors for participating in the survey. She explained the memo that was sent out summarizes what they heard from the survey. She went over the memo.

**ECONorthwest**  
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DATE: May 28, 2020  
TO: Scappoose City Council  
CC: Laurie Oliver, City of Scappoose  
FROM: Becky Hewitt and Justine Ealy, ECONorthwest  
SUBJECT: City of Scappoose Housing Initiatives: Follow Up on Council Questions

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We previously shared an update memorandum with additional information in response to Council's questions regarding certain tools that could be part of the City's affordable housing plan dated April 21, 2020 and requested feedback from Council through a survey by May 4, 2020. This memorandum summarizes the results of that survey and how staff and ECONorthwest have responded to the feedback provided in the survey.

Updated draft code language for the Construction Excise Tax (CET) and Nonprofit Low Income Rental Housing (NPLIRH) tax exemption incorporating feedback obtained through the survey are included as attachments for review and discussion by Council at the June 1, 2020 work session.

Survey Questions, Results, and Direction Construction Excise Tax

When should staff bring a CET ordinance to hearings?

Results

A majority of Council members directed staff to prepare the draft ordinance but defer bringing it to hearings. See details and comments below.

Answer Choices	Responses		Additional Comments
Continue on schedule—bring the ordinance when ready.	14%	1	

Refine the draft language per Council feedback and prepare a draft ordinance but defer bringing it to hearings until the economic situation begins to improve.	57%	4	I think it should not be on residential or retail and we should have it ready but only implement it after a third of the new industrial land is developed
Cease work on the CET and revisit only if so directed by this or a future Council.	29%	2	Strongly disagree that we should be taking monies from one source to benefit another. SDCs and permits can already be a burden.
Other (please specify in comment box below)	0%	0	

Updated draft CET code language incorporating feedback obtained through the additional survey questions is included as an attachment for informational purposes. Staff will need further guidance on when to bring this back before Council.

Note that only six of the Councilors provided specific responses to the remaining questions; one was opposed to the CET regardless of program design details and provided comments only.

Should the ordinance include a cap on the amount of tax collected per project? Results  
Three councilors somewhat opposed this, while others were neutral. See details and comments below.

Answer Choices	Responses		Additional Comments
No, strongly oppose	0%	0	
Somewhat oppose	43%	3	I don't see an advantage to a cap. Maybe I'm missing something.
Neither support nor oppose	43%	3	I am open to discussing a cap on the amount of tax that could be collected, but I am more concerned about setting the floor/minimum on when the City would begin collecting the tax. Rather than focusing on what the potential ceiling/maximum on how much tax could be collected per project, I believe it is in the best interest of our community that business/property owners in Scappoose are not discouraged from investing in their business/facilities, especially at this time. Those that are looking to make improvements and/or expand their business operations should be encouraged to do so. I am opposed to the CET so I am opposed to this as well.
Somewhat support	0%	0	
Yes, strongly support	0%	0	
No response - comment only	14%	1	I don't believe any monies should be collected; cap or no cap

Staff and ECONorthwest Response

The does not include a cap on the amount of CET imposed.

If there is a cap on the tax per project, what should the amount be?  
Results

With little support for a cap, the results indicated that if there was a cap, it should either be high or flexible.

Answer Choices	Responses		Additional Comments
\$50,000 cap (permit value >\$5 million not taxed)	0%	0	
\$75,000 cap (permit value >\$7.5 million not taxed)	0%	0	
\$100,000 cap (permit value >\$10 million not taxed)	43%	3	Highest amount that's reasonable I would like to see comparisons on what caps in the surrounding Portland Metro area cities like Sandy, Canby, and Forest Grove have in place. How would a cap of comparable size situate Scappoose in recruiting new businesses?
Other (please specify in comment box below)	57%	4	I am strongly opposed to a CET ordinance- cap or no cap
			I really don't think there should be a cap - if we do it, it is a percentage and only changes would be an exception for companies that could opt out or get a discount for a specified reason (implemented by the City - if we really needed a 'X', then waive the fee)
			A conditional exception based on defined criteria
			Opposed to the CET

#### Staff and ECONorthwest Response

As far as ECONorthwest is aware, only one other community that has a CET in place caps the total amount of CET imposed (the City of Medford). Medford's cap is \$50,000 per permit/structure. A discretionary/variable cap or exception is not legally viable. The City could identify additional specific types or scales of developments to exempt from the CET in the code if the criteria to qualify for the exemption are clear, objective, and can be determined with information available during the building permit application process.

The revised draft code language does not include a cap on the amount of CET imposed.

Does Council agree with staff's recommendation to base exemptions for small projects on square footage of commercial and industrial space added rather than permit value?

#### Results

Some councilors expressed strong support for this change; the balance were neutral or uncertain.

Answer Choices	Responses		Additional Comments
No, strongly oppose	0%	0	
Somewhat oppose	0%	0	
Neither support nor oppose	43%	3	Need to discuss more with staff and understand logic behind this recommendation I like the permit value basis better Again, I oppose the CET

Somewhat support	0%	0	
Yes, strongly support	43%	3	Couldn't agree more.
No response - comment only	14%	1	Either option is not agreeable as I am not in support of a CET

#### Staff and ECONorthwest Response

This change is recommended to make it easier to determine when the CET applies in a situation with multiple permits for a single project and reduces the risk of applicants trying to avoid the fee by splitting up permits. The revised draft code language includes an exemption based on square footage (2,500 square feet).

Should the CET exempt a portion of commercial space in mixed-use buildings that contain residential uses?

#### Results

Councilors who responded either supported or were neutral on this question.

Answer Choices	Responses		Additional Comments
No, strongly oppose	0%	0	
Somewhat oppose	0%	0	
Neither support nor oppose	29%	2	Maybe have planning commission determine? Again, I oppose the CET
Somewhat support	29%	2	What would the square footage exemption for commercial spaces within mixed use buildings be set at?
Yes, strongly support	29%	2	
No response - comment only	14%	1	NA

Having a discretionary exemption determined by the Planning Commission is not legally viable for the CET. The revised draft code language includes an exemption for commercial space in a mixed use building that includes residential uses.

If a portion of mixed-use commercial can be exempt from CET, what should be the maximum amount in square feet?

#### Results

Results were mixed on this question. One councilor suggested a flexible exemption, while another wanted to ensure that the full amount of commercial space (in addition to the residential) would be exempt.

Answer Choices	Responses		Additional Comments
2,500 square feet (about the size of a typical Starbucks)	14%	1	
5,000 square feet (about 200' of retail frontage)	29%	2	
10,000 square feet (size of an average Gap store, or several smaller retail stores)	0%	0	

Other (please specify in comment box below)	57%	4	NA
			All of the residential and retail would be exempt to promote affordable housing and retail by not adding cost to build residential/retail units therefore driving prices on residential units
			I am leery of a fixed amount; prefer a conditional basis subject to PC review.
			I continue to oppose the CET

#### Staff and ECONorthwest Response

A discretionary exception is not legally viable. The 5,000 square foot exemption would likely cover all the commercial space for the scale of mixed use development that might occur in Scappoose, and this option had more support than other options. The revised draft code language includes an exemption for up to 5,000 square feet of commercial space in a mixed use building that includes residential uses.

How specifically should the ordinance state how funds may be used?

This was a two-part question seeking feedback on specific language. The responses are summarized below.

#### Part 1

The draft code language to implement CET includes the following text related to use of revenue. Please indicate whether you support or prefer changes to the statements below.

*"One hundred percent of net revenue from the Construction Excise Tax shall be used to support housing production, affordability, and/or stability in Scappoose for households earning less than the median family income."*

#### Results

Feedback was mixed on this question. While there was some support for this language as is, there were more responses suggesting changes or a preference for flexibility.

Answer Choices	Responses		Additional Comments
Support including this language as is	29%	2	
Prefer to set a different income threshold for eligibility	14%	1	Should the threshold for distribution of these funds align with NOHA's Section 8 Voucher requirements? What median family income index is being proposed (City/State/Region/National)?
Prefer to remove the italicized text about income	29%	2	Whatever gives us the most flexibility.
Other (please specify in comment box below)	29%	2	I strongly prefer to incentivize these types of affordable developments with incentives in permit reductions, etc. than taxing businesses that are making attempts to bring jobs to Scappoose/create thriving businesses that contribute to our local economy
			I oppose the CET

Staff and ECONorthwest Response

The italicized text has been removed from the revised draft code language.

## Part 2

The draft code language to implement CET includes the following text related to use of revenue. Please indicate whether you support or prefer changes to the statements below.

“Priority for expenditures shall be given to housing projects, incentives, or programs that benefit households earning less than 60 percent of median family income.”

A majority of Councilors supported including the language as is.

Answer Choices	Responses		Additional Comments
Support including this language as is	57%	4	
Prefer to set a different income threshold for prioritizing expenditures	0%	0	
Prefer to remove this language entirely	0%	0	
Other (please specify in comment box below)	43%	3	How do we prioritize these expenditures? Are the funds distributed first come/first go if they meet the requirements, or is there an application period each fiscal year to distribute the funds on an as needed basis to projects that will support our most vulnerable populations? I strongly prefer to incentivize these types of affordable developments with incentives in permit reductions, etc. than taxing businesses that are making attempts to bring jobs to Scappoose/create thriving businesses that contribute to our local economy I oppose the CET

Staff and ECONorthwest Response

The language above is included in the revised draft code language. The Columbia County Median Family Income (which is part of the 7-county Portland metro region) is proposed as the basis for this determination, since this is what is used for affordable housing receiving state or federal funding. The details of how funds will be applied for and distributed have not been fully resolved, but given the anticipated small amounts of funding available, staff and ECONorthwest recommend the following if a CET is implemented:

- Establish a simple process that allows applicants to apply for funds when they need them and “reserve” them for a reasonable period of time while they secure other funding
- Allow funds to accumulate until there are enough to be of value
- Be clear about the priorities for funding in the ordinance, but leave some flexibility for the use of funds

Should the ordinance require that staff provide annual reporting about the funds raised and how they have been used?

#### Results

A majority of Councilors strongly supported requiring annual reporting, and the balance were either neutral or somewhat supported it.

Answer Choices	Responses		Additional Comments
No, strongly oppose	0%	0	
Somewhat oppose	0%	0	
Neither support nor oppose	14%	1	I oppose the CET
Somewhat support	14%	1	
Yes, strongly support	71%	5	However, I do not support the implementation of a CET Transparency is always appreciated. Tax payers should have the right to know how these dollars are being collected and used, but this could also be done biannually.

#### Staff and ECONorthwest Response

Language requiring this annual reporting is included in the revised draft code language.

Should the ordinance include a sunset date?

#### Results

All Councilors either supported or were neutral on a sunset date, with three strongly in support.

Answer Choices	Responses		Additional Comments
No, strongly oppose	0%	0	
Somewhat oppose	0%	0	
Neither support nor oppose	43%	3	I oppose the CET
Somewhat support	14%	1	I think that having a sunset date on taxes is in the best interest of the community.
Yes, strongly support	43%	3	However, I do not support the implementation of a CET

#### Staff and ECONorthwest Response

The revised draft code language includes a sunset date 10 years from the effective date of the ordinance.

#### Nonprofit Low-Income Rental Housing Tax Exemption

How long should land held for future affordable housing be allowed to take an exemption before needing to apply for an extension?

## Results

Responses were mixed, but more Councilors supported a 5 year exemption than the other options.

Answer Choices	Responses		Additional Comments
3 years	29%	2	
4 years	0%	0	
5 years	43%	3	
6 years	0%	0	
7 years	0%	0	
Other (please specify in comment box below)	29%	2	I am not in support of a nonprofit low-income rental housing tax exemption
			At this point the market is working

## Staff and ECONorthwest Response

The draft code language for this program includes a 5 year limit for the exemption for land, with the option to apply for an extension.<sup>1</sup>

Should extensions for land held for future affordable housing be decided by Council or by staff?

## Results

Results were somewhat mixed, but at least four councilors preferred a Council decision. One noted a desire for recommendations from staff to inform that decision.

Answer Choices	Responses		Additional Comments
Decided by Council	43%	3	
Decided by staff	14%	1	
Other/undecided	43%	3	I am not in support of a nonprofit low-income rental housing tax exemption
			I have confidence in our current staff to make such decisions, but we don't know what future staff competence will be. Recommendations by staff, approval/adoption by council

<sup>1</sup> The draft ordinance states this as a maximum number of years the property may take the exemption, and is not based on how long the property has been owned or held for future affordable housing since some properties may already have been held for some time prior to the availability of the tax exemption.

## Staff and ECONorthwest Response

The draft code language provides that these decisions will be made by Council and includes factors that the Council may use to determine whether an extension is appropriate. Staff will review materials provided by the applicant and provide a recommendation to Council.

## Low Income Rental Housing Tax Exemption



*Note: this is similar to, but distinct from, the program listed above, which is authorized under a different statute. The prior memo laid out a range of concerns with the program. Please see prior memo for details.*

Given the concerns and limitations described in the memo, does Council want to advance adoption of this tax abatement program?

#### Results

Answer Choices	Responses		Additional Comments
Advance the tax abatement program and seek participation from overlapping taxing districts.	14%	1	
Advance the tax abatement for City taxes only.	29%	2	
Do not advance the tax abatement.	43%	3	
Unsure—I still have questions about the program (please specify).	14%	1	How do we advance the abatement program to only the nonprofit version?

Feedback was split on this program; however, one undecided Councilor expressed a desire to apply the program only to nonprofits and two Councilors were interested in seeing the program apply to City taxes only. Only one Councilor supported advancing the program in its full form.

#### Staff and ECONorthwest Response

The other, very similar, tax abatement program above (NPLIRH tax exemption) already provides a tax exemption for nonprofits. If the intent is only to abate nonprofit affordable housing, adopting the other program will accomplish that goal, and this program is not necessary. Applying the program to City taxes only would require a lot of administrative effort for a small savings to be passed on to tenants.

Without a clear majority of support to move this program forward, ECONorthwest has not prepared draft code language to implement this program.

#### Multiple Unit Property Tax Exemption (MUPTE)

*The prior memo laid out how this program could be applied and a range of options for Council to consider, but did not recommend it for advancement. Please see prior memo for details.*

Given the concerns described in the memo, does Council want to advance adoption of this tax abatement program? Please indicate your recommendation for this program.

#### Results

A majority of Councilors indicated that they did not support advancing the program at this time.

Answer Choices	Responses	Additional Comments
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Advance a partial exemption from City taxes for private multifamily developments that maintain 25% of units affordable at 70% of median family income for at least 10 years.	14%	1	
Evaluate a partial exemption from all districts' taxes for private multifamily developments that provide a percentage of units affordable at a lower income (e.g. 60% of median family income). This would require support from other taxing districts and partnership to assist with monitoring income qualification for tenants of affordable units.	0%	0	
Do not advance this program at this time.	57%	4	
Unsure, I still have questions about this program (please specify).	29%	2	We don't yet know the long-term economic consequences from COVID-19, so until we have a sense of the new normal is probably imprudent to lock into anything Ideal program would allow nonprofits to access the tax abatement program, and that the program is funded through partial exemption from City taxes.

#### Staff and ECONorthwest Response

The NPLIRH tax exemption discussed above already provides a full tax exemption for nonprofits. If the intent is only to abate nonprofit affordable housing, adopting the other program will accomplish that goal. The MUPTE program would provide less of a tax exemption, since it applies only to improvement value and not to land. Without a clear majority of support to move this program forward, ECONorthwest has not prepared draft code language to implement this program.

#### Conclusion

Draft municipal code language for the CET and NPLIRH tax exemption are attached for Council review. We anticipate adoption hearings for the NPLIRH tax exemption only in July, with the CET ordinance awaiting direction from Council to bring it forward to adoption.

Attachment A      Draft Municipal Code Language for Construction Excise Tax  
Attachment B      Draft Municipal Code Language for Nonprofit Low-Income Rental  
Housing tax exemption

\*\*\*\*\*End of memo\*\*\*\*\*

Becky Hewitt explained they have prepared some updates to the draft Construction Excise Tax language that Council could adopt at a future time, but they are not planning to advance that to the adoption process at this time. She explained they did want to note that staff will need a little bit of further guidance about when is the right time to bring that back and you may not know it until you see it. She explained, because it is based on permits, if you start having pre-apps or start seeing things that start to come in that would be subject to the CET, you might want to

consider moving pretty quickly when you do define those recoveries, so you don't miss out of revenue.

Becky Hewitt explained the questions they asked for feedback on were a lot of about CET. She stated, assuming the City does move forward with a CET at some point, what are some of the details of that program that should be included. She stated there were a couple of Councilors that just opposed CET entirely, so their responses were either neutral or they didn't think there should be a CET, but it doesn't really matter to them. She stated a cap on the CET appears that it could be an option.

Councilor Lesowske asked, in regard to other communities that have a CET that are of similar size, do they go by square footage or is it based on the permit value?

Becky Hewitt replied she would have to double check because not all jurisdictions exempt small projects.

Councilor Lesowske stated his biggest concern is that we are replicating what our competitors are doing, that we are staying on track with what the standard is. He wants to make sure we have the right fit for the program to fit the City of Scappoose.

Becky Hewitt went over exemptions for a commercial mixed-use building. She explained there was a follow up question about how much square footage should be exempt. She stated there was a range of answers on that and there was some desire for flexibility here. She explained they did include the sunset date for 10 years from the effective date of the ordinance.

Becky Hewitt went over the non-profit low-income rental housing tax exemption. She explained this one is the one that only non-profits are eligible for and there were a couple of questions about this one. She explained there was the question of how long an organization should be able to claim the tax exemption on land before they can apply for an extension and then who should decide about that exemption. She explained three Councilors are in favor of a five-year exemption, two in favor of a three-year exemption, and others were not in favor of it. She explained they went with five, since that had the greatest number of responses. She explained there is draft language for this program that was included with the memo and if Council wants to move ahead that would be brought before them in July. She explained this is one if you have any questions or comments you would want to get them ironed out before adoption.

Council President Kessi stated with three people in favor of the five-year exemption, two in favor of a three-year exemption, and the others didn't want anything. He asked would the two people that didn't want anything at all, would they fall into the three-years?

Councilor Lesowske stated to meet in the middle with the other individuals would be closer to a three year than a five year.

Mayor Burge stated it doesn't matter which way it comes back; Council can still make changes.

Councilor Haugen asked about the ordinance coming before Council in July.

City Planner Laurie Oliver explained that would be to bring back an ordinance for nonprofit low-income housing tax exemption, to adopt that and make that something that we actually implement here in Scappoose.

Councilor Haugen replied so that doesn't mean Council has to say aye or nay to the whole proposal then.

City Planner Laurie Oliver replied that would specifically be for the nonprofit low-income rental housing tax exemption and there is a copy of that ordinance language in this packet.

Councilor Haugen replied that clarifies that, thank you.

Councilor Greisen stated she is just making clear the results are showing that we are going to table the CET.

City Planner Laurie Oliver replied, that is correct.


Becky Hewitt went over Low-Income Rental Housing Tax Exemption. She explained it doesn't have nonprofit in the title, but it can work for nonprofits, but it can also work for a for-profit affordable housing development that might have State or Federal funding. She explained they did not recommend this for Scappoose because of how difficult it would be to administer and so what we asked of Council was whether to advance this or not. She explained with the Councils results, they did not see a need to expand to for-profit, only affordable housing. She stated this is not a great tool for encouraging private developers to incorporate some lower cost units into a market rate development.

Becky Hewitt went over Multiple Unit Property Tax Exemption (MUPTE). She explained based on Council results, they did not advance this.

Mayor Burge stated if Council has any questions, please email City Planner Laurie Oliver and she will share them with Becky Hewitt.

**Adjournment** ~ Mayor Burge adjourned the Work Session at 7:02 p.m.

  
Mayor Scott Burge

Attest:   
City Recorder Susan M. Reeves, MMC