

WORKSHOP MEETING MINUTES  
SISTERS CITY COUNCIL  
520 E. CASCADE AVE., 6:00 P.M.  
JUNE 28, 2007

**MEMBERS PRESENT:**

Brad Boyd	Mayor
Bill Merrill	Council President
Lon Kellstrom	Councilor
Sharlene Weed	Councilor
Shawna Bell	Councilor

**STAFF PRESENT:**

Eileen Stein	City Manager
Lisa Young	Finance Director
Brian Rankin	Planning Director
Steve Bryant	City Attorney
Kathy Nelson	City Recorder

**GUESTS:**

Bill Willitts	McKenzie Meadow Village
---------------	-------------------------

The meeting was called to order at 6:00 p.m. by Mayor Boyd.

1. Status Report: Affordable Housing Agreement/McKenzie Meadow Village

**Mayor Boyd** stated the purpose of the workshop was for the Council to provide feedback and input with regard to the McKenzie Meadow Village (MMV) annexation and affordable housing agreement. He stated he would like Council members to weigh in on how they would like to see MMV and affordable housing advocates proceed. He added that Sharlene Weed was present not as a councilor but as an affordable housing advocate and would not participate in the discussion as a councilor.

**Mayor Boyd** directed the Council to his memorandum and the draft agreement for affordable housing between the City and MMV (copy attached). He stated options included providing guidance on the issues that MMV representatives and affordable housing advocates had failed to come to agreement on, or deferring to the Housing Plan, a provision of the City's Comprehensive Plan not yet undertaken but to be initiated in FY 07-08. He stated that deferring to the creation of the Housing Plan would defer annexation of MMV. **Manager Stein** provided clarification stating that the Housing Plan would be initiated in late FY 07-08 but completion of the plan would likely take place in FY 08-09.

**Councilor Merrill** stated he was disappointed to hear the Housing Plan might not be completed in FY 07-08 as it is one of the four Council goals for the year. He added that the rationale for choosing the plan as one of the goals was to make it a priority and complete the plan. He urged the City to get moving on the Housing Plan as soon as possible. **Manager Stein** stated that as quite a bit of time was spent discussing the Housing Plan issue she would research her evaluation for the verb used to determine what the status of the Housing Plan was to be by year end. **Mayor Boyd** stated his memory of the discussion was that the Housing Plan be initiated by December 2007.

WORKSHOP MEETING MINUTES  
SISTERS CITY COUNCIL  
520 E. CASCADE AVE., 6:00 P.M.  
JUNE 28, 2007

**Councilor Bell** asked what Mayor Boyd hoped to accomplish with the meeting and if he meant to have the Council provide input on the entire agreement. **Mayor Boyd** stated his expectation was not to critique the entire agreement but to help alleviate some of the frustration that has been voiced by both sides on the affordable housing issue. He stated that the Council could choose to address the three issues of eligibility, enforcement and timing of construction that the MMV representatives and affordable housing advocates could not come to agreement on or the Council could set a timeline for the MMV representatives and affordable housing advocates to work out their differences, or wait for the Housing Plan to be completed. He added that in the future a Housing Plan will provide the City specific direction with regard to affordable housing and allow all developers to be treated the same. **Councilor Bell** stated that since MMV was not yet annexed if there was some type of agreement with the developer to be annexed if MMV provided an affordable housing component. **Mayor Boyd** stated there was no such agreement but if MMV were to provide an affordable housing component it would allow the developer to come to the City Council and request formal annexation. He stated the current Comprehensive Plan shows that one in 10 housing units shall be affordable for new land that is annexed into the City but without a Housing Plan there is no directive on how that should be achieved.

**Councilor Merrill** stated that he feels that without a doubt the City should defer annexation until the Housing Plan is developed. He stated that although the MMV representatives and affordable housing advocates have spent considerable time debating the three issues on which they do not agree, the Planning Department and the City's legal advisors have not. He stated that he fears if the City assumes responsibility for these three issues of contention the City will be putting the Planning Department into the real estate and rental business, which the City would not want to do. He stated the Comprehensive Plan lays out the housing needs of the City until 2025 and currently there is no need for additional residential zoning until 2025. He stated that if the housing needs change then the plan could be reviewed and changed accordingly. He stated that what is important is that when the property is annexed into the City the City have a standard, which currently it does not. He stated that different standards are used for different developments without any evaluation by the staff. He stated the Housing Plan is not just about affordable housing. It will establish policy so developers know in advance what the rules regarding standards and criteria are. He stated it is important to have the City Attorney evaluate the draft agreement to make certain it does not put the City in the real estate business. He stated he sees no need to annex MMV into the City for the next five to 10 years and that it is imperative for the City to establish basic criteria. He stated that the Comprehensive Plan also stated that affordable housing shall be scattered throughout the City and he does not see that occurring.

**Mayor Boyd** replied that if property is already annexed into the City, under state law, the City cannot require that one in 10 housing units be affordable. He added that with new annexation the City can make the one in 10 rule a requirement prior to annexation. **City Attorney Bryant** stated that the City would need to reach an annexation agreement prior to the annexation. He stated the agreement is more than affordable housing and that water, road dedications and other issues all

WORKSHOP MEETING MINUTES  
SISTERS CITY COUNCIL  
520 E. CASCADE AVE., 6:00 P.M.  
JUNE 28, 2007

need to be considered. He stated that the agreement is contingent on the annexation and if the annexation does not take place, the agreement does not take effect. **Mayor Boyd** stated that the other issues City Attorney Bryant mentioned do not seem to be a sticking point and that the affordable housing agreement is the only unresolved issue.

**Councilor Bell** stated that it appeared that extensive work had already taken place and asked if the draft agreement could act as a basis for the Housing Plan. **Planning Director Rankin** stated that the City will likely hire a special consultant to address the Housing Plan. **Councilor Merrill** stated the City should do things in the proper order and create a Housing Plan prior to annexing any additional property. **Councilor Bell** stated she would hate to see the work already completed thrown away. **Councilor Merrill** stated the City needs a set of rules it can live by and that at present the Planning Commission can only make decisions for housing based on the Development Code.

**Councilor Kellstrom** stated the process of creating a Housing Plan is arcane and time consuming, but it will have an impact on the MMV developers to require them to wait for its completion. He stated there are unintended consequences to doing nothing. He also stated the City does not want to be in the real estate business. **Manager Stein** stated that if it is the City's policy to determine standards, perhaps it is the City's responsibility to determine eligibility and enforce the agreement. She stated the City can always contract for those services and then the City's responsibility is only to monitor the contracted services but the Council needs to realize there would be a cost associated with the agreement if the City implements it. **Councilor Kellstrom** asked if there were cities that could be used as models for implementation of a Housing Plan. **Manager Stein** stated there are but that crafting an affordable housing agreement that has the provision of a one in 10 requirement is cutting new territory.

**Councilor Bell** stated that the research that went into the draft agreement includes some "best practices" and she would want to keep that intact. **Councilor Kellstrom** stated he felt it was dangerous to bring everything to a halt. **Councilor Merrill** stated he was confident of the figures in the Comprehensive Plan with regard to the City's future residential needs. He stated that approximately 1,125 additional housing units will be needed by 2025, with 113 of those housing units to be affordable. He stated he sees nothing wrong with the draft agreement but it has not been adequately reviewed. He stated the problem lies with establishing policy ahead of the Housing Plan and that perhaps the City should change its priorities so the Housing Plan is completed sooner. He added that he is trying to be fair to both the developers and the affordable housing advocates.

**Mayor Boyd** stated that the Council seemed to be saying that the City does not want to be the party determining eligibility. **Councilor Bell** stated that she does feel the City should have a say in the criteria for determining eligibility and affordability and she does not want to see the document thrown away.

WORKSHOP MEETING MINUTES  
SISTERS CITY COUNCIL  
520 E. CASCADE AVE., 6:00 P.M.  
JUNE 28, 2007

**Mayor Boyd** stated that ideally the City would already have a Housing Plan in place that spelled out expectations with regard to affordability and treated all developers the same but the Forest Service property and Transportation System Plan (TSP) are more of a priority than MMV annexation or the Housing Plan. He stated his suggestion/recommendation is to give the MMV and affordable housing advocates a date certain to work towards the final agreement and figure out the remaining issues. He stated that if they are unable to accomplish that then they will need to wait for the creation of the Housing Plan. **Councilor Merrill** stated he would like to see a cover sheet attached to the affordable housing agreement that has been signed off by all parties involved including the City Attorney, Planning Director and City Manager.

**City Attorney Bryant** stated that the challenge to both parties involved is the City Charter requirement of a 50 year period of affordability which is extremely cumbersome. He stated the draft agreement as it stands at present is a mishmash of old and new and has disaster written all over it. He stated it would be helpful to the MMV representatives and affordable housing advocates to know if the 50 year period of affordability will be required by the City and what the timing requirements will be with regards to construction of the affordable housing units. **Councilor Merrill** stated that it's time for the City to establish a standard. **Councilor Kellstrom** stated he has never agreed with the 50 year period of affordability and that it is unmanageable, but he feels a 20 year affordability period is a manageable time frame.

**Bill Willitts**, representing MMV, stated that the Comprehensive Plan was passed by a two-thirds majority in 2005 and the most important aspect of this agreement is to create a template for the region and to get other cities to use the template for their affordable housing needs. He stated he looked at a broader scope when developing the agreement. He stated he doesn't feel the City should throw out the 50 year period of affordability as it provides a shared equity model to allow six or seven first time home ownership, by keeping 50% of the equity in the unit and allowing the home owner to keep the remaining 50% of the equity to move into another home. He stated it is an important tool. **Councilor Kellstrom** asked what mechanism will keep the units affordable. **Mr. Willitts** stated that with the 50% shared equity anyone that can afford the monthly payment can qualify as the down payment is covered by the 50% equity share that is kept.

**Councilor Kellstrom** asked City Attorney Bryant if the deed restrictions make sense. **City Attorney Bryant** stated they do but the challenge with shared equity is it puts the burden on the affordable housing agency to come up with a lot of money when the property sells as they have often been purchased at below market cost. If the agency is unable to come up with the money the home then sells on the open market and the agency must take their share and find another affordable unit to buy or build. The idea with this agreement is to keep a particular unit affordable for 50 years and that is a daunting task. He stated it will take some cycles of practical experience to find out what will work. He stated all cities in the region will need to work together towards a usable model.

WORKSHOP MEETING MINUTES  
SISTERS CITY COUNCIL  
520 E. CASCADE AVE., 6:00 P.M.  
JUNE 28, 2007

**Sharlene Weed** stated she received the current version of the document only two weeks ago and that she and the representatives from MMV are very close to coming to agreement. She stated that the two groups are not really in conflict regarding the three points not yet resolved as much as they just need time to work out the details.

**Mr. Willitts** stated they want to get the agreement right and the **Council** asked the two groups to come back to them when all the details are worked out and all parties involved are in agreement.

**Mr. Willitts** asked that the City Attorney be available to review the document and **City Attorney Bryant** stated he would be happy to review the agreement. **Ms. Weed** asked that staff also look at the agreement and **Director Rankin** stated he felt that was a good idea. **Manager Stein** stated the weekly legal meetings could be used to discuss the agreement collectively.

**Councilor Bell** asked if MMV and affordable housing advocates were able to come to an agreement on an affordable housing agreement if the document would set precedent. **City Attorney Bryant** replied it would not as the agreement would only be for the 30 acres set forth in the document.

**Mayor Boyd** asked that the MMV representatives and affordable housing advocates work towards eliminating the City as responsible for determining eligibility and enforcing the agreement. He also asked that affordable units be completed in each phase prior to the next phase being started. **Mr. Willitts** stated they will bring back a community based document.

## 2. City Manager Update

**Manager Stein** directed the Council to a draft letter to Jefferson County Commissioners regarding SB 30 and asked the Council to provide comment and concerns. **Councilor Weed** stated she felt the letter should be copied to Deschutes County Commissioners as they might be able to assist the City when addressing its concerns regarding the proposed resorts in the Metolius basin.

**Manager Stein** informed the Council of a Leadership Development series being offered by the League of Oregon Cities (LOC) in July and September in the event any councilors are interested in attending.

**Manager Stein** stated she wanted to clarify that her evaluation stipulates that the work scope and approach for the Housing Plan will be identified by the end of December.

**Manager Stein** informed the Council that all City ordinances, resolutions and meeting minutes starting from 1946 till present were now on two CD's that could be used as part of a disaster recovery plan. She stated that one copy will stay in the City vault while the original CD's have been placed in a vault offsite.

WORKSHOP MEETING MINUTES  
SISTERS CITY COUNCIL  
520 E. CASCADE AVE., 6:00 P.M.  
JUNE 28, 2007

**Councilor Merrill** asked if there was any update on the new Post Office. **Mayor Boyd** stated the only update was that delivery will take place on the south side of Cascade Avenue as previously discussed. **Director Rankin** stated he has had no contact from the Postal Service.

The meeting was adjourned at 6:59 p.m.

Respectfully submitted,

---

Kathy Nelson, City Recorder

---

Brad Boyd, Mayor