

WORKSHOP MEETING MINUTES
SISTERS CITY COUNCIL
520 E. CASCADE AVENUE
AUGUST 7, 2008

MEMBERS PRESENT:

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

GUESTS:

Susanna Julber Contract Planner
Christine Lewis Housing Affairs Manager, Housing Works
Andy High Director of Government Affairs, Central Oregon Builders Assoc. (COBA)

STAFF PRESENT:

Eileen Stein City Manager
Eric Porter Comm. Dev. Director
Lisa Young Finance Director
Brad Grimm Public Works Director

ABSENT:

Kathy Nelson City Recorder

The meeting was called to order by Mayor Boyd at 8:01 a.m.

1. Discussion of Housing Plan Strategy

Contract Planner Susanna Julber stated the workshop was a follow-up to her previous presentation of July 24th to allow more in-depth discussion on the various strategies that the Council could adopt for the Housing Plan and to determine what the next steps will be. She directed the Council to the matrix included in her staff report to begin the discussion. She explained the scoring system she used to rank the strategies and began the discussion starting with the option that garnered the most points.

Support Homeowner Rehab Program

Ms. Julber explained that no set-up is necessary with this program and it is the existing program used by the City. She stated this option provides assistance to qualified persons to improve their home and retain affordable housing stock. She stated there are few administrative requirements. **Councilor Bell** added that NeighborImpact has a weatherization program that provides funds for projects of this nature.

Support Legislative Efforts

Ms. Julber explained that the group working on legislation will introduce the following legislation in the 2009 Oregon Legislature session and includes the following; 1) document recording fees, 2) real estate transfer fees, 3) inclusionary zoning and 4) the adoption of a resolution by the Council in support of these efforts if they are adopted state-wide.

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Support DLCL Workgroup

Ms. Julber stated a Department of Land Conservation and Development (DLCD) workgroup is meeting on a state-wide level to address a lack of affordable housing by lessening Statewide Planning Goal #14. She stated if implemented it would lessen the requirement for expanding the urban growth boundary if affordable housing will be offered on the expanded property. She stated that Sisters could have an opportunity to be involved in a pilot program for small cities if desired. **Councilor Weed** asked if the opportunity was specific to affordable housing and not market rate housing. **Ms. Julber** stated it was her understanding that it was related only to affordable housing. She added that this program will require a higher level of involvement by City staff with area developers for implementation.

Medium Density Land Use District

Ms. Julber stated that most of the Residential Multi-Family Sub-District (R-MFSD) is already developed with townhomes and single family dwellings and there is not much land available. She stated this strategy would identify and retain a separate district specifically for town homes and multi-family dwellings units. **Mayor Boyd** stated that in Sisters it appears that the higher density homes are not selling well and there is not sufficient demand. **Councilor Merrill** stated that first the City must look at what it wants to see in terms of economic growth and determine if it wants to expand as a tourist city or concentrate on bringing in those individuals that can afford to buy and live in Sisters.

Councilor Bell stated that the need for affordable housing defined in the Comprehensive Plan is double that of which is currently available and it is the Council's job to look to the future to meet that goal. She stated she feels the City should look at the Forest Service property as a possibility for rezoning to meet future demand and have the resources available when that property sells and a developer approaches the City. **Ms. Julber** stated that although there might not seem to be a market for multi-family units and town homes, there have been several plans that have been approved by the Planning Commission. **Councilor Weed** stated that if property is zoned specifically for that use it might sell for less and help to keep the cost of the housing units more affordable.

The Council looked at the Comprehensive Plan zoning map and discussed that there are very few areas that would be available for this option. **Mayor Boyd** stated that the areas in the City that are redeveloping are not building affordable homes but this option could be a good long term tool to consider.

Condo Conversion Ordinance

Ms. Julber stated that currently the issue of apartments converting to condominiums is not a problem in the City but there is not an ordinance in place to provide guidance for conversions of

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this nature. She stated that when a home is purchased as a vacation rental in Sisters, the homeowner is required to apply for a conditional use permit but added that most homeowners do not out of lack of awareness of the requirement. **Ms. Julber** explained that an ordinance would require a certain number of units be set aside as affordable and not available to convert to condominiums. The **Council** discussed that this option could inadvertently discourage potential developers from building apartments.

Annexation Ordinance

Ms. Julber stated that an annexation ordinance would require that when land is annexed a percentage of that land be dedicated to affordable housing. She stated it is important for an ordinance of this nature to also include needed infrastructure and transportation as well. She stated that once implemented it will require a fair amount of review by a planner to insure that all the requirements are being met. She stated that when property is annexed into the City this option would already have in place the perimeters for the development prior to the actual annexation so lengthy negotiations between the developer and City could be avoided

Councilor Bell asked if rezoned property could also be included. **Ms. Julber** stated that currently the City can't require affordable housing for property that is rezoned. **Mayor Boyd** stated that while the City can't require affordable housing with a rezone it can request it. He stated he feels it is important to take the time to craft the ordinance to provide what the City wants and to make this option a priority.

Package of Developer Incentives

Ms. Julber stated this option is modeled after the City of Bend in that it would provide incentives to projects that receive federal or state affordable housing funding or are affordable to those household earning at 80% of area medium income (AMI). It would include planning and building fee exemptions, expedited review and permit processing, system development charge (SDC) deferrals, off-site improvement assistance, density bonus and minimum lot size exemptions. She stated that since the City contracts with the Building Department for inspections it might be more difficult to provide expedited permitting.

Community Development Director Porter stated that currently the City doesn't collect SDC's until building permits are issued. There was a discussion on waiving SDC fees versus deferring SDC fees and **Manager Stein** stated that according to City Attorney Bryant, SDC's cannot legally be waived but instead must be supplanted by the General Fund for the amount in question or in essence the City is requiring other developers to pay those fees.

Andy High, Central Oregon Builders Association (COBA) stated that the City of Bend has upped the cost for fast-tracking applications as there was a log jam of applications. He stated that it is somewhat effective as an incentive but high land costs are what are driving the market. He

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added that with regard to deferral of SDC's, Habitat for Humanity is on a ten year payback plan in Bend.

Ms. Julber stated that in order to implement this option the City would need to develop a schedule for developers to know that for every "x" number of affordable housing units built they would receive certain incentives.

Mayor Boyd stated that he feels it is important for someone in the Planning Department to be tracking state law with regard to allowable incentives and best practices. He stated that the City could then take advantage and implement these best practices as soon as possible. He added that many of the incentives mentioned do not apply in Sisters. **Ms. Julber** stated that at the very least she feels the City should implement a density bonus option.

Councilor Bell asked what an off-site improvement would be. **Ms. Julber** explained that sidewalks and trees are considered off-site improvements. **Manager Stein** stated that with Public Works bringing more and more of those types of projects in-house the City might be able to assist with sidewalks and tree planting. **Councilor Bell** stated she feels the City should also consider a deferred payment plan for SDC's for affordable housing builders. She stated that by not offering incentives of any kind she feels the City is not encouraging builders to build affordable units. **Councilor Weed** stated that the density bonus does result in additional units, stating that Habitat for Humanity has used that option previously.

Manager Stein stated that appointing a city housing coordinator, as suggested as an option further down the matrix, to track best practices will provide what Mayor Boyd is suggesting. **Councilor Bell** agreed and suggested that someone also track the progress of the legislature's efforts and DLCD workgroup.

Ms. Julber stated that in the next eight years Deschutes County should reach the required population to receive federal home funds that can be utilized for affordable housing. She stated it would be important to have a Sisters representative involved on any regional board that will determine how the funds will be dispersed.

Land Banking

Ms. Julber explained that land banking entails identifying and purchasing land to use for future developments of affordable housing with the assumption that the cost of land will only increase with time. She stated that often the land can be leased until the time it will be developed for affordable housing. She stated the initial investment costs are high and the City doesn't have many large parcels of land with the exception of the Forest Service property.

Councilor Weed stated that with the current market conditions it would be a good time to purchase land. She stated that Housing Works would build affordable units on any land the City

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provides. **Manager Stein** stated that staff has researched properties that are for sale in the City but unfortunately they are still unaffordable at this time. She stated she wants the Council to look at the contingency funds currently held by the City and consider if it is time to make some strategic financial investments. She stated the City could consider purchasing land for affordable housing, a parking lot, for programs or the Council may simply determine that in these uncertain financial times having a sizable financial reserve is more prudent.

Mayor Boyd stated that he thinks that land banking is a great idea but the City needs to determine how to find an equitable way to fund this type of program even if it takes 10 to 15 years to amass adequate funds to afford a project. **Manager Stein** stated that all the options presented by Ms. Julber are good ideas and the City needs to keep its eye on not only short term but long term planning.

Ms. Julber stated that in the short term the City could commission a feasibility study to determine if a land banking program would be a good investment and to find out the number of years necessary to have a program make financial sense. **Councilor Weed** stated that she would like the City to be open to project proposals, from developers such as Rob Roy who builds senior housing for a profit, to work collaboratively to make a project work.

Appoint City Housing Coordinator

Ms. Julber stated that this option was the one discussed by Manager Stein earlier in response to **Mayor Boyd** request to have an identified staff person to keep abreast of best practices in the state. **Ms. Julber** stated she considers it a secondary tool. **Councilor Weed** asked Ms. Julber to research how other cities fund the position. **Ms. Julber** stated she would do the research and added that Portland uses urban renewal funds to fund a portion of the position.

Housing Trust Fund

Ms. Julber explained that a housing trust fund commits public sources of revenue to create dedicated on-going support for affordable housing.

Councilor Merrill asked who would provide the funding for this model. **Ms. Julber** stated that tax funds and donations are used and that statewide legislative measures for real estate recording fees and document recording fees under consideration could also provide funds, although she was uncertain how those funds would be funneled to the City. **Cyndi Cook, Executive Director of Housing Works** stated that the funds will be collected by the State and reallocated back to the County but not dollar for dollar

Housing In-Lieu of Fee Based on Development Impact

Ms. Julber stated that this option quantifies impacts to a city and assesses a tax based on that impact to fund affordable housing. She stated the option is not very feasible in Sisters at this time and that there are no cities in Oregon currently using this model. **Mayor Boyd** stated that the City is trying to encourage people to locate in the business parks and this option would penalize those individuals.

Use of Urban Renewal Funds

Ms. Julber stated that in this option a percentage of urban renewal funds are set aside for affordable housing but with the previous conversation at the July 24th workshop meeting she was under this impression that the Council was not in favor of considering this option.

Councilor Weed stated she was not opposed to this option and that a small amount of money set aside over a period of years could add up and be used for affordable housing. **Mayor Boyd** stated that the City can only use the property already included in the urban renewal district (URD) and the fund projections are down due to lagging property values. He stated that the URD is maxed out. **Manager Stein** explained that the URD can contain 25% of the land in the City or 25% of the assessed valuation, whichever is more restrictive. She stated that the Urban Renewal Plan is already adopted and to change it would be dependent on receiving consent from the other affected agencies. **Manager Stein** read from the Urban Renewal Plan that the priority of the plan is to make downtown a more pedestrian oriented place.

Mayor Boyd stated he feels that supporting a homeowner rehab program, supporting legislative efforts, an annexation ordinance and identifying a staff member as a housing authority are options that should be researched further to determine what could be applicable to the City.

Councilor Bell stated that she agrees with supporting a homeowner rehab program but it doesn't provide any new affordable housing. She stated that supporting legislative efforts and the DLCD workgroup both have potential for the future. **Manager Stein** asked if the Council was interested in participating in the DLCD pilot project. **Mayor Boyd** stated he has grave concerns with relaxing Statewide Goal #14 as he feel the goal has helped keep Sisters a unique place to live. **Ms. Julber** stated that deciding which property would be annexed could be very contentious. **Mayor Boyd** stated that currently there are over 1,000 buildable lots in Sisters and there is simply no need for increase land in the City. He stated that following the work of the DLCD workgroup is important but there is a lot to consider before granting permission to be involved with the pilot program.

Councilor Bell stated that she feels that researching a Medium Land Use District should continue as well as crafting an annexation ordinance. She asked if rezoned property could be included and **Ms. Julber** stated that currently it could not but she will look at that option in relation to the

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Comprehensive Plan. **Councilor Bell** stated she feels the City should consider development incentives in phase two of its Housing Plan to insure the City does not lose the opportunities they could provide. She asked staff to look to see if a housing coordinator could be absorbed within this year's budget and if not it could be considered for the 2009-10 fiscal year.

Councilor Weed stated she was in agreement with Mayor Boyd and Councilor Bell on supporting a homeowner rehab program and legislative efforts and following the findings of the DLCD workgroup. She stated that a Medium Land Use District and a condo conversion ordinance are a low priority but an annexation ordinance is a priority. **Councilor Weed** agreed that implementing developer incentive is a secondary priority. She stated she would be open to working collaboratively on land banking and use current staff for tracking affordable housing issues. She stated she would like additional information on a housing trust fund and asked that staff check with the City's urban renewal advisor about the possibility of using a small percentage of the collected funds towards affordable housing.

Ms. Julber stated that if urban renewal funds were used the City would need to amend the current plan to come up with some criteria and **Manager Stein** agreed that would need to be determined. She stated that there are various categories for the plan that include public improvements, the civic center and assistance to property owners that help meet the goals of the plan. She stated that it appears the authority to assist with programs is already included in the plan.

Councilor Merrill stated that in looking at the rankings for the estimated number of units achieved on the matrix the use of urban renewal funds and land banking will provide the most number of units and should not be under-rated. He stated that the duties of a housing coordinator should be only as an additional duty to current planning staff. He stated he supports incentives to developers and the support of a homeowners rehab program.

Manager Stein stated the Council has identified some of the Housing Plan options as phase one steps and some as phase two steps and suggested that could be an a way for the Housing Plan to evolve. **Mayor Boyd** stated he would like to see work begin on the annexation ordinance and information of legislation and a homeowner rehab program as it becomes available. He asked that a menu of recommendation be brought back to the Council. **Ms. Julber** thanked the Council for the direction and stated she would have further discussion with Manager Stein and Director Porter on the Housing Plan and options that will be researched.

2. Preview 08/14/08 Regular Meeting Agenda

Manager Stein provided an overview of the August 14th workshop and regular meeting. She reported that the workshop topic has been changed from a presentation on the Regional Transportation System by Scott Aycock from Central Oregon Intergovernmental Committee (COIC) to a workshop on the High Country Disposal (HCD) franchise. She stated the franchise agreement proposal will come before the Council at the regular meeting and since there are a

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number of documents related to the franchise agreement this will allow the Council to have time for discussion prior to the regular meeting.

3. City Manager Update

Manager Stein stated that the City is applying for a Oregon Department of Transportation (ODOT) grant in the amount of \$25,000 to compliment to the recent application for the bike and pedestrian ODOT grant for Washington Street. She stated it will be used to create a multi-use path from the Five Pine campus through the Overnight Park to Locust where it would connect with the Washington Street project. **Public Works Director Grimm** stated he estimates the grant would pay for the entire project if the path is built eight feet wide but the City would likely pay for the upgrade to build a ten foot path.

Manager Stein reported that staff had met again with the neighborhood representatives of Clemens Park to discuss placement of improvements in the park.

Manager Stein stated there was a Quilt Show debrief meeting to discuss feedback regarding traffic. She stated that next year better access to Three Winds Shopping Center and the Pump House will be considered. She stated that concerns regarding transient merchant activity was raised with the statement that the proliferation of transient merchants creates a circus like atmosphere and detracts from the Quilt Show itself. She informed the Council that a proposal to modify transient merchant licenses and raise the fee for the license was likely forthcoming from the Chamber of Commerce with support of business owners. She stated there are pros and cons to both sides and asked if the Council wanted to convene a meeting to discuss the issue with business and community leaders. The **Council** stated they would prefer to wait and see what the proposal suggests before making a decision on a meeting.

The meeting was adjourned at 10:13 a.m.

Respectfully submitted,

Kathy Nelson, City Recorder

Brad Boyd, Mayor