

WORKSHOP MEETING MINUTES  
SISTERS CITY COUNCIL  
520 E. CASCADE AVENUE  
SEPTEMBER 17, 2009

**MEMBERS PRESENT:**

Lon Kellstrom Mayor  
Bill Merrill Council President  
Pat Thompson Councilor  
Jerry Bogart Councilor  
Sharlene Weed Councilor

**STAFF PRESENT:**

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

**ABSENT**

Kathy Nelson City Recorder

**GUESTS:**

Curt Kallberg MMV Property Owner  
Keith Sampson Senior Housing Developer  
Jeff England MMV Development Engineer

The meeting was called to order by Mayor Kellstrom at 8:02 a.m.

**Councilor Thompson** reported on a conversation he had had with a new local business, completely unrelated to city business, wherein the business owner complimented city staff for the cooperativeness and efficiency at which his building permit was handled. **Councilor Thompson** congratulated staff and stated these are the kinds of experiences that give the City of Sisters a good name. **Mayor Kellstrom** concurred and added his congratulations.

1. McKenzie Meadow Village (MMV) Annexation Agreement Discussion

**Mayor Kellstrom** stated the approach he'd like to take to address the remaining issues is to focus on the areas in the staff report where it is indicated that additional direction is needed from the City Council. He stated that Eric Porter was ready to lead the discussion with respect to these remaining points.

**Councilor Merrill** asked first about Original City Obligation #1. He asked why the language was changed from 'approve' to 'consider' the annexation ordinance. **Director Porter** replied it was because staff did not want to create a presumption that the annexation ordinance would be approved.

**Director Porter** stated that if the property is annexed the developer will still need to go through the process for a zone change, Comprehensive Plan amendment and a possible text amendment to the Development Code, all which would require at least two hearings for each. He stated an annexation agreement is not considered a land use decision as a land use decision establishes specific development standards.

**Councilor Merrill** asked why the City would employ an annexation agreement versus a development agreement. **Director Porter** explained that a development agreement comes when a land use action is filed while an annexation agreement comes before land is annexed. **Manager**

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**Stein** added that when City Attorney Bryant reviewed the agreement he did not feel it contained the type of specifics that would render it a development agreement. **Councilor Merrill** stated that regardless of what the document is labeled there are a number of issues to be considered that should be included and would benefit everyone involved. **Mayor Kellstrom** reiterated that a development agreement would involve a different process. **Manager Stein** stated that some items in an annexation agreement are not appropriate in a development agreement as the items could be considered exactions and beyond the scope of what can be conditioned in a development agreement.

**Councilor Merrill** stated some of the items that need consideration are the schedule and procedure for compliance review, remedies available to parties upon a breach of the agreement and the extent to which the agreement is assignable. He stated these are all valid considerations.

**Director Porter** referred to the summary list of issues on the first page of the staff report and suggested taking these items in order. Again, he mentioned staff intended to only address the items marked “Yes” indicating additional Council direction was needed. He stated he would proceed by asking a series of ‘yes’ or ‘no’ questions to facilitate the decision making. Also, he indicated that he was operating from the presumption that the City Council desires to have an annexation agreement regarding this property. He reminded the Council that it isn’t necessary but that staff recommends there be one.

**Developer Obligation #1:** *Affordable Housing Specifics.*

**Affordable Housing Requirement:** **Director Porter** asked whether the Council would like to see a requirement for affordable housing in the agreement or not.

*The Council concurred it would like to see a requirement for affordable housing in the agreement.*

**1-in-10 Provision:** **Director Porter** asked whether the Council would like to see the 1-in-10 provision addressed in the Housing Chapter of the Comprehensive Plan in the annexation agreement.

*The Council concurred it would like to see the 1-in-10 provision in the agreement.*

**Applicability of 1-in-10:** **Director Porter** asked whether the 1-in-10 affordable housing provision should be inclusive of the Senior Living Facility (subsequently referred to as the ‘Lodge’) or limited to the housing units described as 50+/Work Force housing.

*The Council concurred that the 1-in-10 affordable housing requirement should be inclusive of the Lodge.*

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**MMV property owner Curt Kallberg** and **Senior Housing developer Keith Sampson** both expressed their intent that some of the affordable units would be provided for in the Lodge.

**Split of Income Affordability:** **Director Porter** asked whether the affordable units should be split evenly so that half of the units are available to those with 80% of the area median income (AMI), considered low income, and half of the units are available to those with 50% of AMI, considered very low income. **MMV Development Engineer Jeff England** stated the developer does not want to be restricted to provide units at 50% of AMI.

**Councilor Weed** objected to Mr. England's comment and asked what benefit is being served. She stated that people whose incomes are 80% of AMI can already buy or rent housing in Sisters. **Mr. England** stated requiring units at 50% AMI means the developer is subsidizing those units and places the entire burden on the developer for a community wide issue when there is not a community wide solution.

**Councilor Merrill** referred to senior housing developer Rob Roy who has developed senior living facilities in Bend and La Pine and who has been able to make units available to those with less than 80% AMI, including as low as 30% AMI. He stated this is a difficult decision to make without the Council's benefit of having Mr. Roy make a presentation to the Council about his projects.

**Councilor Thompson** asked whether the City has required other developers to provide affordable units in a price range to meet 50% AMI. **Director Porter** stated other developments have been required to provide the 1- in-10 affordable housing but not at 50% AMI. He explained the recommendation for 50% AMI is based on new information the City has received since those other developments have been approved. **Councilor Weed** stated the 50% AMI requirement also takes into account the change in the market. **Councilor Thompson** stated it is unreasonable to require this developer to do so. **Mr. Sampson** stated the City needs to take into account the jobs and revenue the development will bring to the City. **Councilor Merrill** stated the purpose of the annexation agreement is to ask for exactions that bring benefit to the community. He added the types of jobs the development will bring are not living wage jobs and therefore will just exacerbate the need for affordable housing.

After much discussion, **Mayor Kellstrom** asked for a summary of councilor's opinions with regard to the split between 80% and 50% of AMI.

*No split: Councilors Thompson and Mayor Kellstrom.*

*Split: Councilors Bogart, Merrill and Weed.*

**Councilor Bogart** stated he would like to see the split but not how it is recommended. He stated he would prefer the affordable units be spread throughout the development and not clustered in one location.

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**Affordability Period:** **Director Porter** asked whether the affordability period should be 20 years as recommended by staff.

*The Council agreed that 20 years is the mandatory affordability period. Anything beyond 20 years is at the discretion of the developer.*

**Profit Retention:** **Director Porter** asked whether there should be a 50/50 profit sharing at the end of the affordability period and if so, should the 50% not retained by the property owner be deposited into a Housing Trust Fund.

*The Council concurred that there should be a 50/50 profit sharing, with the 50% not retained by the property owner being deposited into a Housing Trust Fund.*

**Pre-Determine Construction of Affordable Units:** **Director Porter** asked whether the agreement should include a provision requiring the timing of the construction of the affordable units.

*The Council concurred that the timing of construction of the units could be left to a subsequent development agreement.*

**Minimum Dwelling Unit Sizes:** **Director Porter** asked whether the agreement should specify a minimum size for the affordable units. **Councilor Weed** asked where Director Porter got the figures he used as they were generous. She stated the standard is actually smaller such as 850 square feet for a one bedroom unit and 960 square feet for a two bedroom unit. **Director Porter** stated the figures came from the Housing Plan or Housing Works.

*The Council concurred that the size of the affordable units could be left to a subsequent development agreement.*

**50/50 Split between Rental and Ownership:** **Councilor Weed** stated this was a policy choice for the Council to decide also. **Director Porter** concurred and asked what the pleasure of the Council was.

**Councilor Weed** stated the split is necessary as there will be a shortage of affordable rentals in the next 20 years. **Councilor Merrill** asked who would keep track of the unit's affordability and stated he felt it was unnecessary to specify whether the units are rented or owned. He asked if a unit is purchased as an affordable unit and then the owner rents it out if it would be considered an ownership or rental unit. **Manager Stein** pointed out that a rental unit will not contribute to the Housing Trust Fund. **Councilor Weed** stated that affordable unit trust deeds typically specify that an affordable housing unit cannot be purchased and then rented out.

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**Councilor Thompson** stated requiring a 50/50 split would put an undue limitation on the developer and the Council should let the market determine whether the units are rental or ownership. **Councilor Weed** disagreed with Councilor Thompson's statement stating the units would be below market price.

*No split: Councilors Thompson, Merrill and Mayor Kellstrom.*

*Split: Councilors Bogart and Weed.*

**Developer Obligation #2:** *Community Center*

**Community Center Requirement:** **Director Porter** referenced the language in the staff report and asked for the Council's direction. He stated that previous conversations had considered having the land revert to additional open-space if the community center is not built within three years.

**Councilor Weed** stated she thought the City should ask for the community center for the citizens as she didn't see the City gaining much benefit for annexing the property. Mayor Kellstrom disagreed and stated the development will provide senior housing, tax revenue and jobs just to name a few. **Manager Stein** voiced concern about the need for another community center pointing out that Sisters Park and Recreation District (SPRD) is already struggling to stay open. She stated requiring the property become additional open space would be above and beyond the 30% requirement and stated that staff is suggesting requiring a Westside public park instead.

**Mr. England** stated the 30% open space requirement is already onerous for a developer. **Councilor Merrill** agreed and stated there is no need for another community center and the space should be used for some other purpose. **Councilor Weed** stated a community center could be needed in the future and proposed that if the community center is not built within the stipulated three year timeframe it should be deeded to the City for some type of facility in the future. **Mr. England** argued that a facility that is not yet decided upon could end up being inconsistent with the rest of the development

*No Community Center: Councilors Merrill, Thompson and Mayor Kellstrom*

*Community Center: Councilor Weed*

*Undecided: Councilor Bogart*

**Reversion to Open Space Clause:** **Director Porter** asked whether there should be a reversion clause in the agreement if there is no community center. **Mayor Kellstrom** clarified that if there is no community center, there is no need for a reversion clause.

**Mr. Kallberg** and **Mr. Sampson** again clarified that it is not their intent to let the open space areas adjacent to the Lodge be left undeveloped. They do want to create nice amenities.

*The Council agreed there should not be an open space reversion clause.*

**Developer Obligation #3:** *Land Area by Acreage*

***Prescribed Land Uses by Acreage:*** **Director Porter** asked whether the land should be prescribed by use as specified in his staff report. He asked about setting aside only 6.5 acres for senior living and senior assisted living (the Lodge) while leaving the rest for residential development without any age restrictions and stated that the reference to the community center would be stricken based on the previous discussion.

**Councilor Merrill** stated the area is not the appropriate place for a medical facility as proposed for the neighborhood commercial zone. **Manager Stein** stated that the neighborhood commercial area could also include a sandwich shop or other types of small commercial business.

*The Council concurred that the only specification in the agreement would be the 6.5 acres for the senior living facility, again referred to as the Lodge. The Council understood that other property uses may be proposed and specified in the zone change and master plan applications which would subsequently have to be justified by the developer.*

**Developer Obligation #8:** *Water Mitigation Fees/SDCs*

***Payment of Mitigation Fees:*** **Director Porter** asked whether the agreement should specify that the developer will pay water rights mitigation fees prior to the issuance of building permits and whether this would result in a water SDC credit for the developer. **Councilor Weed** stated she did not understand what was being asked of the Council.

**Director Porter** stated the developer previously had water rights that were sold and as such will need to pay a water mitigation fee upfront independent of the system development charges (SDC's). He stated there is the possibility the City will merge the water mitigation fee with SCD fees after the SDC/water mitigation study is complete.

**Manager Stein** stated that amending the water SDC's could result in water rights mitigations becoming a project that is incorporated into the SDC project list. **Councilor Weed** stated that will result in others paying for MMV's water rights and **Councilor Thompson** asked for an explanation. **Manager Stein** explained using the example of a water line, that when building a new water line a developer is paying an SDC for the construction whether the developer is the benefitting party or not. She stated SDC money goes towards paying for an improvement. **Councilor Thompson** stated that MMV would be paying based on the percentage of use their development will need. **Manager Stein** explained that in order for a project to be financed with SDC funds it must be prescribed ahead of time and be included on the project list. **Councilor Weed** stated the City still needs to capture the amount it will cost to serve MMV and the developer should be required to pay for that. **Manager Stein** explained that if the City requires MMV to pay for water rights mitigation up front and then amends the SDC's to include water mitigation it would result in MMV paying the same charges twice.

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*The Council concurred in requiring the developer to make a payment for water rights mitigation costs relative to the project. The Council also requested that the agreement reflect that the developer should not have to pay twice for this, upfront and again in the form of an SDC. The Council also discussed that payment of the entire amount of mitigation credits up front would be a burden to the developer.*

**Councilor Thompson** stressed that the City needs to move forward with the annexation agreement as this is just the first step of the process. He stated a lot of what the Council is talking about will be addressed with the development of the project. He suggested the Council not over analyze the project and allow the developer to move forward as soon as possible in order to add benefit to the community.

**Councilor Thompson** stated he needed to leave the meeting, but wanted to address Original Additional Provision #8 regarding reimbursement for staff time. He felt that the developer should not be expected to pay for staff costs incurred to date and that the City would receive its compensation when the property was annexed and generating property tax revenue.

*Councilor Thompson left the meeting.*

**Mayor Kellstrom** stated that it was late and he would like the entire Council to be present for the discussion and the rest of the items on the list. The Council agreed to continue the discussion to the September 24<sup>th</sup> workshop meeting.

2. Preview 09/24/09 Agenda

**Manager Stein** previewed the regular meeting scheduled for September 24<sup>th</sup>. She stated the MMV annexation agreement would be scheduled for the workshop since there was no other topic scheduled. She also stated she had revised the minutes from the August 6, 2009 workshop and would add those to the Consent Agenda for re-approval.

**Manager Stein** reported that staff is still trying to arrange for senior housing developer Rob Roy to attend a workshop in October if a mutually agreeable date can be identified. **Councilor Merrill** stated he felt the Council should wait to make a decision on the annexation agreement until after Mr. Roy has given his presentation since he has a lot of experience in providing affordable housing to seniors.

**Councilor Weed** asked if the Housing Plan is back on the schedule for Council review. **Manager Stein** stated it is not at present and then provided a quick overview of upcoming workshop topics. The Council discussed the workshops schedule and decided to meet on October 29<sup>th</sup>, a fifth Thursday, in order to accommodate the Housing Plan follow-up.

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3. City Manager Update

There was no City Manager update.

The meeting was adjourned at 10:20 a.m.

Respectfully submitted,

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Eileen Stein, City Manager

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Lon Kellstrom, Mayor