

WORKSHOP MEETING MINUTES
SISTERS CITY COUNCIL
520 E. CASCADE AVENUE
MAY 20, 2010

MEMBERS PRESENT:

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

GUESTS:

Rob Roy Pacific Crest Homes
Rim Wilson Pacific Crest Homes

STAFF PRESENT:

Eileen Stein City Manager
Eric Porter Community Devel Director
Brad Grimm PW Director
Pauline Hardie Senior Planner
Laura Lehman Associate Planner
Liz Majury Admin Finance Assistant
Kathy Nelson City Recorder

ABSENT:

Lisa Young Finance Director

The meeting was called to order by Mayor Kellstrom at 8:06 a.m.

1. Senior Affordable Housing Project and McKenzie Meadow Village (MMV) Annexation Agreement Status Report

Community Development Director Porter stated the workshop was in follow-up to the April 15th workshop about a potential senior affordable housing project to be built at McKenzie Meadow Village (MMV). He explained there are both hard and soft costs associated with the project that would need to be borne by the City. He reported changes to the existing MMV annexation agreement would also need to be made in order for this project to move forward. He stated the focus of the workshop was to bring to the Council's attention the range of incentives the project could require to be feasible. He stated staff has identified 13 issues thus far and any decisions would be made at a later time. The **Council** began their discussion.

1) Greater Redmond Area Enterprise Zone (EZ) Boundary Change:

Director Porter explained the proposed location for the senior affordable housing project is not located within the Greater Redmond Area Enterprise Zone. If it was it within an enterprise zone it would be eligible for the 130% 'basis boost' and Mr. Roy of Pacific Crest Homes has stated it's a necessary element for the project to be feasible. Staff's recommendation is that the two acre Clemens Park could be removed from the current EZ boundary and the proposed location at MMV for the senior affordable housing project could be added into the EZ boundary. He reported the survey costs associated with this transfer are estimated at \$2,000; a cost included in the FY 10-11 budget as part of the add-back items.

Councilor Weed stated she thought the need for both phases of the project was three acres total. **Director Porter** replied it is but it could be many years before the second phase was built. **Rob Roy, President of Pacific Crest Homes** stated that has always been his assumption with past

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developments also, but noted in the City of LaPine, the second phase of the project is beginning next year only one year after opening the first phase.

The **Council** directed staff to include the three acres needed in total in the survey so the EZ zone boundary would not need to be changed to accommodate the second phase of development in the future. Manager Stein indicated the extra acre would come from the Five Pine Campus which was offered by Mr. Willits.

2) *Timely Execution of the Memorandum of Understanding (MOU)*

Director Porter stated the City could prioritize the development in order to streamline all aspects of the project. He added there was no direct cost associated with doing so.

3) *One Contact Person at the City of Sister*

Director Porter stated providing one staff member as the contact person for the project could be easily accomplished.

4) *Expedited Processing*

Director Porter stated the City could commit to a rapid review of the process regardless of how busy the City might become in ensuing months.

5) *Oregon Housing and Community Services vs. City of Sisters Maximum/Minimum Affordable Unit Sizes Conflict*

Director Porter informed the Council changing the minimum for a one bedroom unit to 675 square feet and changing the minimum for a two bedroom unit to 875 square feet would be addressed in the revised annexation agreement.

6) *Target Rents 50% - 30% of Area Median Income (AMI). Target Qualifying Incomes at 60% - 40% of AMI*

Director Porter stated there were no City related issues with this request.

7) *Proper Zoning – Use/Density/Height/Parking*

Director Porter reported the updated Development Code clarifies that senior affordable housing is allowable in a residential multifamily district (RMFD). He stated MMV LLC is aware it will need to apply for a zone change.

8) *Waiver of Building Permit Fees*

Director Porter explained that the City pays the Building Department LLC, the City's contracted company for building inspections, 75% of all fees collected for each permit issued. He stated staff estimated the permit and inspection costs for the Pacific Crest project to be \$35,000. He stated this would require a \$26,250 out of pocket expense for the City to pay the Building Department LLC and \$8,750 in uncollected revenue.

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9) *20 Year Tax Abatement*

Director Porter explained how local governments can create a program exempting the collection of property tax for 20 years for low income housing projects that are offered to rent to people with incomes at or below 60% AMI. He stated if 51% of the potentially affected taxing districts agree to the tax abatement the remaining 49% of the affected taxing districts are required to comply.

Mr. Roy stated the uncollected property tax revenue to the City would be approximately \$529 for the first year and climb 3% for each year thereafter. **Manager Stein** stated she was not in agreement with Mr. Roy's findings and that additional information and discussion was needed.

10) *One Unit Equal to 1/2 Equivalent Dwelling Unit (EDU)*

Director Porter stated the request to lower the monthly cost to units to just 1/2 EDU which would typically be charged at one EDU would result in uncollected revenue in the Sewer Fund of \$5,570 annually for the first phase of the project which includes 26 units. Further complicating the issue is that Tamarack Village, another low-income housing development in Sisters, does not currently receive any relief from utility billing and the possibility of some equitable consideration would need to be discussed.

The **Council** discussed the financial impacts this request could have to the sewer and water funds. **Manager Stein** remarked that she did not see the request as having any significant impact to the sewer fund but she was concerned with impacts it could have on the water fund.

11) *Waiver of System Development Charges (SDC's)*

Director Porter stated waiving SDC's is not allowed per the City Charter. He stated the Charter would need to be amended to allow the fees to be waived for a for-profit organization and would require a vote of the people. He stated the units would be required to be affordable for a minimum period of 50 years. He added if the Charter were changed, \$75,000 would need to be transferred from the General Fund to pay the SDC's to the appropriate enterprise funds.

Councilor Weed stated she was not in agreement with this option and asked if the project could be built without this incentive. **Mr. Roy** stated he could build the \$75,000 into the project if it was necessary but asked if the City would consider deferring the SDC's for one year. **Manager Stein** stated she thought the City could do this and still be in compliance with the City Charter.

12) *No Offsite Improvements – Traffic Mitigation, Water and Sewer Extensions*

Director Porter stated that the City considered this issue to be one that would need to be resolved between MMV LLC and Pacific Crest Homes. He explained the City has not built any off-site improvements for other developers and to do so would create a questionable precedent. **Mr. Roy** remarked that he is unable to raise funds for anything outside the property lines of the development and he would need someone else to take the lead on the issue.

13) *10% Rule of Thumb Demonstration of Local Support*

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Director Porter explained that the 10% rule of thumb refers to the financial contributions made by the City or other parties not associated with the project. He stated that in this project the land that is to be donated by MMV LLC will make up a majority of the necessary 10% local support match, with the remainder to be comprised from the incentives the City might offer as discussed earlier.

Manager Stein stated the discussion points were comprised of those items that will need future consideration and there will likely be additional issues to figure out. **Councilor Thompson** stated the City needs to work to make this project feasible.

Director Porter directed the Council to the amended annexation agreement and asked for questions or concerns.

Councilor Merrill suggested removing the specific number of units (26) to be built. **Manager Stein** remarked that doing so would mean there would be no minimum number of units required to be built. **Mayor Kellstrom** directed Manager Stein to check with the City Attorney on the issue to see if a minimum number of units needs to be specified in the agreement. **Mr. Roy** stated he would build no less than 20 units as it would simply not be financially feasible.

2. Preview 05/27/10 Meeting Agenda

Manager Stein provided an overview of the upcoming workshop and regular Council meeting. She stated that a liquor license endorsement request and contract award for the Parks Master Plan update would also be added to the regular meeting agenda.

Director Porter explained the master fee schedule will be amended to create some new planning related fees, and amend costs on some planning related fees in order to have the charges tied to the actual time spent on land use projects.

3. City Manager Update

Manager Stein reported the court hearing on the fuel tax litigation is May 21st at 9:30 a.m. She expected the judge will likely render a decision by the first part of next week.

Public Works Director Grimm reported that the Oregon Department of Transportation (ODOT) has begun work on filling the ruts along Cascade Avenue and will finish up as weather permits.

Councilor Merrill referred back to the earlier discussion on affordable housing. He stated that once the City determines the total cost for the incentives requested, the City should approach the County for some financial support. He stated the project will no doubt house some non-city residents and would provide a benefit to the County also. **Manager Stein** stated that

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Commissioner Baney has indicated she is open to the County supporting the project but it would need to be determined which party would be making the request to the County.

The meeting was adjourned at 9:27 a.m.

Respectfully submitted,

Kathy Nelson, City Recorder

Lon Kellstrom, Mayor