

WORKSHOP MEETING MINUTES
SISTERS CITY COUNCIL
520 E. CASCADE AVENUE
AUGUST 18, 2016

MEMBERS PRESENT:

Chris Frye Mayor
David Asson Councilor
Nancy Connolly Councilor
Amy Burgstahler Councilor
Andrea Blum Councilor

STAFF PRESENT:

Rick Allen City Manager
Paul Bertagna PW Director
Joe O'Neill Finance Officer
Patrick Davenport CD Director
Kathy Nelson City Recorder

GUESTS:

Tom Kemper Housing Works Executive Director
Kelly Fisher Housing Works Program Development Manager
Sharlene Weed Sisters Habitat for Humanity Executive Director
Roger Detweiler Sisters Planning Commissioner

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

1. Prospective Housing Works Project Discussion

Housing Works Executive Director Tom Kemper stated he and Program Development Manager Kelly Fisher were in attendance to discuss the townhome development Housing Works was hoping to build in Sisters. He stated funding for the project was time sensitive as Housing Works would be applying to the Local Innovation and Fast Track (LIFT) housing program, a \$40,000 million pool of State funds that has \$20 million slated to provide funding for affordable housing in small communities. He reported the program would provide \$38,000 per unit.

Mr. Kemper provided a PowerPoint presentation illustrating the proposed development site as well as elevations of the two and three bedroom units. He stated the multi-family complex would provide 30 two and three bedroom townhomes and would target families earning 60% or below the median family income. Two bedroom units had a proposed rent of \$718 and three bedroom units had a proposed rent of \$825.

Mr. Kemper discussed the cost of development which included 2.12 acres of land at a price of \$620,000, hard costs of \$3,469,000, and soft costs of \$1,763,000 for a total anticipated cost of \$5,852,000. He explained there was a funding gap of \$300,000 and Housing Works was hoping to receive that amount from the City to allow the project to move forward. He stated Housing Works was hoping to break ground in the spring and would need a commitment from the City prior to submitting the LIFT application by the end of September or early October. He stated with the current affordable housing crisis in Central Oregon, it was important to move quickly.

Councilor Blum asked how candidates for living in the units would be chosen and **Mr. Kemper** stated it would likely be a lottery due to demand. He stated the units would be heavily marketed to the Sisters community as those were the community members Housing Works was hoping to serve.

Councilor Connolly asked Mr. Kemper if he had been involved in the Tamarack Village project and **Mr. Kemper** replied he had been only at the very beginning and only as an employee of a

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different company also involved in the joint venture. **Councilor Connolly** noted rents had been steadily increasing at Tamarack Village and questioned if the same would happen with the new project. **Mr. Kemper** replied rents could only be increased if the medium family income in Deschutes County rose. **Councilor Connolly** asked how the property was zoned and **Mr. Kemper** replied it was zoned multi-family.

Sisters Habitat for Humanity Executive Director Sharlene Weed voiced surprise that the units were all two and three bedroom units. She stated she was hoping there would be some one bedroom units as she felt there was a demand for units of that size also. She noted she knew several woman living in two and three bedroom units at Tamarack Village only because there were no one bedroom units available at that facility. She stated the woman would gladly downsize to a one bedroom unit to save money and then those units could become available for families. The **Council** discussed the possibility of adding one bedroom units and felt there was a need for all types of affordable housing. The **Council** asked if some of the units could be one bedroom units instead and **Mr. Kemper** stated it would be possible to adjust the plans for one of the buildings and convert it into eight one bedroom units. The **Council** acknowledged Housing Works gap funding amount would increase to approximately \$340,000 with the change. **Director Davenport** clarified a modified master plan would also be necessary.

Ms. Weed asked how finding families for the Skygate single family homes was progressing and **Mr. Kemper** replied it had been slow so far. **Housing Works Program Development Manager Kelly Fisher** reported applicants could have an income up to 80% of area medium income (AMI) and there was a fine line between making enough to have a lender agree to finance a mortgage and not making enough to qualify. She stated one family was in the process of trying to secure financing for one of the home and one applicant had just found out she would be unable to obtain financing. She noted that applicant would likely reapply when the second four homes were built as she would have another year of income to average and then could qualify for a mortgage loan. She reported so far both applications had come from Sisters residents.

Councilor Burgstahler questioned if Housing Works had looked any further into crowd sourcing. **Mr. Kemper** replied he was leery because he was uncertain what Housing Works would have to offer in exchange. He stated he knew crowd sourcing had been use successfully in many different arenas, but to the best of his knowledge, it had never been used for an affordable housing project. **Councilor Blum** asked if the City were unable to provide all the gap funding Housing Works was requesting if there were other alternative funding sources. **Mr. Kemper** replied there were not at this time. **Councilor Connolly** asked if the gap funding amount would be needed all at once or whether it could be spread over several years. **Mr. Kemper** replied it could be spread over two years.

2. Senate Bill 1533- Inclusionary Zoning and Construction Excise Tax

Mayor Frye stated he wanted to discuss SB 1533 that went into effect on June 2, 2016. He directed the Council to the FAQ handout on the bill and noted implementing a residential construction excise tax was a step the Council could take to bring in revenue that could be used towards affordable housing projects. He explained the revenue, after a 4% administrative fee charged by the City, was required to be used as follows:

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Residential construction:

- 50% for incentives, such as System Development Charge (SDC) waivers,
- 35% for other affordable housing
- 15% to Oregon Housing and Community Services to be used towards programs offering down payment assistance

On commercial or industrial projects:

- 50% must be dedicated towards City programs related to housing
- 50% of the revenue was unrestricted in its allocation

Mayor Frye noted the bill allowed a jurisdiction to impose a construction excise tax up to 1% or less of the permit valuation on residential development including new construction as well as remodels that result in additional square footage being added to the structure. He stated Bend was currently charging 0.003%. He directed the Council to the spreadsheet illustrating the revenue the City would have realized if it had been able to charge the excise tax over the previous three years. The amount which included both residential and commercial permits would have totaled over \$66,300. He reported the State Builders Association had helped write the bill and was very supportive of the tax. He stated he had spoken to a representative from the Central Oregon Builders Association (COBA) and while they had indicated the organization was not completely opposed to the tax, the organization would want to be involved in any conversation if it was considered.

Mayor Frye stated the issue the City was facing was it needed funds now in order to help with projects like the Housing Works project Tom Kemper had just discussed and to waive SDC's for organization like Housing Works and Habitat for Humanity. He suggested one solution would be to waive the SDC's at this time and pay back the amount waived with the future revenue a construction excise tax would produce. He added that non-profits that built affordable housing were exempt from the excise tax.

Councilor Burgstahler stated she was uncomfortable with the cost being born solely on the backs of a few and would prefer a method that spread the cost out to the entire community.

Councilor Blum countered the cost of building a home in Central Oregon was based on what the market would bear and noted the same house built in Sisters would be less in another community like Prineville. **Councilor Burgstahler** stated she was concerned it would discourage building and the cost should be spread among everyone. **Councilor Blum** asked how that might be accomplished and **Mayor Frye** stated one way would be to take a measure to the voters to approve an affordable housing tax. He stated he was not hopeful it would be supported.

Councilor Burgstahler questioned if there would be a sunset on the excise tax and **Mayor Frye** replied the language for the tax could be crafted so there was a sunset if the Council wanted one.

Councilor Asson stated he had many of the same concerns voiced by Councilor Burgstahler. He stated if the City charged a .002% excise tax, it would take years to collect enough to make much of a difference. The **Council** agreed charging a 1% fee was too high and the City would need to work with builders to see what percentage might be palatable to builders and home buyers.

Councilor Blum stated in theory, she did not want to waive SDC and **Mayor Frye** agreed,

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stating he would only agree to waive the fees up front if the City devised a means of paying the SDC funds back.

The **Council** discussed the request from Housing Works for the City to provide the gap funding for the townhome project. **Councilor Asson** stated he didn't think it was possible in the timeframe requested. **Councilor Connolly** stated she was supportive of providing the gap funding but would prefer it be spread over a three year period. **Councilor Blum** stated she was supportive of the project also. **Councilor Burgstahler** was supportive of moving the Housing Works project forward. **Mayor Frye** agreed stating he was confident the City could come up with a way to provide the financial support. **Planning Commissioner Roger Detweiler** stated he felt there was a potential source of revenue if relators were taxed on their commissions.

Director Bertagna informed the Council there had been a private builder showing some interest in building a 24 unit multi-family complex.

Councilor Asson questioned whether the City should be subsidizing the building of the multi-family complex, stating he did not feel it should. He stated he did not feel it was a priority and not what a majority of people in town would want. **Mayor Frye** countered the units would attract families and it was increasingly difficult to find retail and services employees since there was no affordable housing inventory where families could live. **Councilor Connolly** stated she would support \$250,000 in waivers as long as the City had a mechanism for paying the funds back in the future.

City Manager Allen reminded the Council they could direct staff to take whatever steps they wanted and staff could put together a variety of options for the Council to consider.

Mayor Frye noted affordable housing was a top priority for the Council. **Planning Commissioner Detweiler** added the City already subsidized many programs. **Councilor Blum** stated she felt there would be support from the community. The **Council** directed staff to look at options for funding up to a \$340,000 funding gap for the Housing Works multi-family project.

Mayor Frye requested the Council still consider implementing a construction excise tax in the future.

Councilor Connolly left the meeting at 10:11 a.m.

3. Preview August 25, 2016 Workshop and Regular Meeting Agenda

City Recorder Nelson previewed the August 25th workshop and regular meeting agenda.

4. Other Business

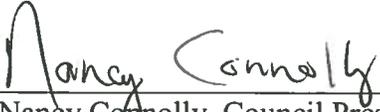
- The Sustainable City Year Program did not move forward this year as the University of Oregon decided the program was still evolving and needed additional work prior to launching the program in a small city.

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- Funding for a consultant to assist with the urbanization study was not budgeted for the fiscal year and currently with the Community Development Department short staffed, it would not be possible to have staff supervise the process anyway. It was noted there was adequate land for the next 10 years and with the Forest Service property coming onto the market soon, and not knowing how it might be developed, it will likely change the needs of the City for development. **Council** voiced concern with data becoming obsolete and impacts to updating the Comprehensive Plan. **Director Davenport** noted some data might need to be updated and the urbanization study completion and subsequent Comprehensive Plan update would be set back in motion when time permitted.
- The idea of shade sails for Fir Street Park was not supported by the City Parks Advisory Board (CPAB). The CPAB instead wanted to purchase shades that could be placed and removed as needed for performers on the stage.
- Council goals from FY 2014/15 that were not completed are listed on the “to be Scheduled” portion of the agenda calendar. Current Council goals are listed on the Staff/Council Work Plan the Council reviews each month.
- The agreement with Pine Meadow Ranch to maintain the improved right of way on Pine Street as requested by their homeowners association, has been signed.
- There was no significant update on the airport noise and skydiving concerns raised by some community members. It was reported a homeowner’s association group that neighbors the airport had met to discuss it concerns. Staff had been informed a land use application relating to the sky diving operation was forthcoming.
- Follow-up in person interviews for the vacant Senior Planner position are taking place today and tomorrow.
- **Mayor Frye** requested the Council continue to urge Central Oregon Intergovernmental Organization (COIC) to begin a Sisters to Bend route on Cascades East Transit (CET).
- The Habitat for Humanity’s SDC’s waiver agreement was under review by legal counsel.
- **Mayor Frye** noted since he would be officially moved out of city limits soon, it would be his last meeting serving on the Council.

The meeting was adjourned at 10:30 a.m.


Kathy Nelson, City Recorder


Nancy Connolly, Council President