

**McMinnville Affordable Housing Task
Force April 1st, 2016**

Agenda

1. John Lautenbach, Board Chair of the Yamhill County Gospel Rescue Mission and Del Maxfield, former executive director of Denver's Rescue Mission and consultant to McMinnville's Rescue Mission will bring their perspectives on helping those experiencing homelessness.
2. Establishing a Framework. Kellie Menke, Sherl Hill and Doug Montgomery will present the work of the Charter subgroup on recommended charter language, membership and action timelines.
3. Elise Hui will present a rundown of the recently passed housing Senate Housing Bill SB1533 which lifts Oregon's 17-year ban on affordable housing mandates.
4. Please note the requested feedback from Lafayette Place Apartments on why they built in McMinnville is attached below.

Attachments:

1. Draft Charter
2. Legislative
 - a. Overview of Legislative Action on Housing and Land Use
 - b. Press Release – SB 1582 implementing \$40 million investment in housing for low-income families
3. Feedback from Lafayette Place Apartments
4. Opinion piece submitted to the board

March 15, 2016

Affordable Housing Task Force Charter

Develop an action plan to serve the housing needs of low and no income families by reviewing zoning ordinances and other development related practices to increase access to and construction of affordable housing in the city of McMinnville. The AHTF shall review and recommend to the Council amendments to current zoning ordinances, Building Division review processes, SDC fees, street standards, etc. The intent is to develop a list of short-term, midterm and long-term projects to achieve the aforementioned. In coordination with the City Council, the AHTF shall review its action plan annually and amend as warranted.

The AHTF shall meet monthly, report to Council quarterly and designate goals achievable within one year time span. The group shall consist of two council members, one member of the planning department, one representative from the building community, one representative from the bank or finance community, one representative from the business community, and two representatives from the nonprofit or housing sector. Sub-committees may be established to address certain goals, maximizing the expertise of the greater McMinnville community.

Proposed Goals:

Immediate / Short Term

1. Memorialize SDC discounts for affordable housing projects.
2. Review recently adopted inclusionary zoning law and, if warranted, draft an inclusionary zoning ordinance and present to Council for their consideration.
3. Offer an expedited permit process to builders including affordable housing.
4. Research "Cottage Codes" from other jurisdictions and, if warranted, prepare such an ordinance for adoption and inclusion in McMinnville's zoning ordinance.

Mid-Term

1. Evaluate the impact of a density bonus for developers including affordable housing units.
2. Survey the city for vacant city-owned lots. Review an affordable housing exchange to local builders for use of said land.
3. Review emergency shelter zoning ordinance provisions and revise as necessary to provide tiny homes or temporary shelter to residents suffering from homelessness.

Longer Term

1. Review the City's inventory of surplus lands to assess for possible rezoning to multi-family housing.
2. Reach out to local service groups to involve them in neighborhood stabilization programs.

3. Conduct or partner with an outside organization to complete a needs assessment in regards to housing for the city of McMinnville.
4. Evaluate the possibility and sources for a local match fund for nonprofit builders.

DRAFT

Housing

HOUSING

Because of the increasing urgency over the lack of housing availability across the state, several bills this session focused on creating tools and funds for housing development programs. The majority of attention was on four bills, considered a package to increase the land available for housing development and incentivize the development of housing. These four bills included: SB 1533, SB 1573 (see [Land Use – Passed Bills](#)), HB 4079 (see [Land Use – Passed Bills](#)) and HB 4143.

HOUSING – PASSED BILLS

SB 1533: Inclusionary Zoning and Construction Excise Tax

Effective Date: June 2, 2016

SB 1533 will return two tools to cities to encourage the development of housing. First, the bill partially lifts the preemption on mandatory inclusionary housing requirements. A city may adopt a mandate that multifamily housing projects of more than 20 units must include affordable housing units. However, the city cannot require that more than 20 percent of the units be affordable. In addition, the city must provide financial offsets for the developer as proscribed in the bill. SB 1533 also clarifies that cities can work with developers to provide more units or lower the threshold for affordability through a voluntary inclusionary housing program.

Further, SB 1533 lifts the preemption on construction excise taxes (CET). However, the bill limits the rate of a residential CET to 1 percent of permit valuation, a number set at the state level. Residential CETs must be spent in a specific manner: 15 percent is remitted to the state for the home ownership assistance program; 50 percent must be spent on the same types of financial offsets as can be used for an inclusionary housing program; and the remaining 35 percent must be used for a locally determined affordable housing program. Any CET on industrial or commercial buildings is uncapped, and one-half of these funds must be used on a locally determined affordable housing program. The other half may be spent at the city's discretion, provided it is outlined in the enacting ordinance.

SB 1582: State Housing Development Program

Effective Date: March 15, 2016

SB 1582 creates the Local Innovation and Fast Track Housing Program (the “LIFT Program”), which is directed to use state bond proceeds to develop state-owned low-income housing. During the 2015 session the Legislature obligated these bonds for housing projects, and SB 1582 establishes the program requirements for spending the bond funds. The bill also requires the Oregon Housing and Community Services Department to report to the Legislature on the progress of the LIFT Program for the next three years.

HB 4143: Renter Protection

Effective Date: March 15, 2016

HB 4143 provides protections for renters who are in month-to-month leases, modifies building code provisions for rental units, and increases the fine for a second violation of a smoking prohibition in a lease agreement. The bill prohibits landlords from increasing rent for the first year of a month-to-month lease,

and thereafter the landlord must provide 90 days' notice of an increase in rent. HB 4143 also clarifies that a rental unit must provide a secondary egress if it is required at the time the unit is built or renovated.

HOUSING – FAILED BILLS

SB 1575: Housing Land Use Omnibus Reform

SB 1575 was an omnibus bill that would have resulted in significant changes to a variety of housing policies and was intended to address perceived barriers to the development of more housing across Oregon. The bill included changes to the calculation of some system development charges, statewide land use goals, and buildable land inventories. In addition, it would have required cities to include housing impact statements for any decisions, including infrastructure plans, land use policies, or environmental protections. SB 1575 also allowed a very narrow version of inclusionary zoning and a very restricted construction excise tax, but also put more process restrictions on the use of these tools. Finally, the bill included permission for Metro to divide the region into sub-regions for housing analysis when examining the urban growth boundary.

HB 4001: Omnibus Housing Reform

HB 4001 was a comprehensive housing bill that: included a number of provisions revising landlord-tenant laws; proposed a partial lifting of the ban on mandatory inclusionary housing; and would have allowed cities to waive state and local building and zoning codes for temporary units in the case of a declared housing emergency or if the city had a low vacancy rate.

HB 4043: Tax Exemption for Sale of Low-Income Housing

HB 4043 would have exempted from state income tax any amount earned upon the sale of property below market value to a public housing authority. In addition, the bill would have raised recording fees and dedicated the funds to the state's general housing account, emergency housing account, and the home ownership assistance account.

HB 4064: Housing Mortgage Loan Fund

HB 4064 would have created a new fund within the Oregon Housing and Community Services Department to provide deferred loans to qualifying nonprofits which develop low income housing. The bill intended to provide more capital to Habitat for Humanity to allow each local chapter to increase its home-building capacity.

Land Use

OVERVIEW

Bills impacting land use decisions this session primarily focused on housing development, but a few technical fixes were also approved by the Legislature. Other bills that would relax land use for Eastern Oregon communities or address specific needs also received attention. Most controversial was the decision to override local governance choices by prohibiting a vote on annexation (see [SB 1573](#) below), which was passed as part of a package of bills related to housing.

LAND USE – PASSED BILLS

[SB 1517: Wetland Land Use Process Pilot Project](#)

Effective Date: Upon governor's signature

SB 1517 allows Tillamook County to create, as a pilot project, a process for wetland creation on land designated as exclusive farm use (EFU). Wetland restoration is currently a permitted use of EFU lands and is not subject to land use review. As originally written, SB 1517 would have required specific findings about impacts to farming within the county if a wetland project occurred on farm land and shifted liabilities for problems related to these projects. The original language could have caused significant problems for water quality and temperature projects that use offsite wetlands restoration as part of the project. As amended, SB 1517 does not apply outside Tillamook County, nor to any new requirements for wetland creation or restoration in order to comply with a National Pollutant Discharge Elimination System permit.

[SB 1573: Preemption of Voting on Annexation](#)

Effective Date: March 15, 2016

SB 1573 preempts city laws that require a vote on annexations when a petition to annex meets specific requirements. The bill prohibits sending an annexation request to voters if: the petition is agreed to by 100 percent of the land owners to be annexed; at least one parcel is contiguous to the city's limits; the land to be annexed is entirely within the urban growth boundary; the land is part of an acknowledged comprehensive plan; and the petition conforms with all other requirements of the city's ordinances. The city can still hold a public hearing, and the council may approve or not approve the annexation. However, the request cannot be put to a vote of the electors.

[HB 4018: Annexation Preemption for Unincorporated Area](#)

Effective Date: Upon governor's signature

HB 4018 prevents the unincorporated area of White City from annexing specific industrial properties if the area incorporates in the future. The bill extends the current prohibition until June 30, 2026. Originally, the bill prevented the city of Medford from annexing other industrial lands, but that portion of the bill was removed as the city had negotiated the issue with the property owners. The current prohibition on Medford annexing the listed properties will sunset on June 30, 2016.

HB 4079: Housing Land Use Pilot Project

Effective Date: March 15, 2016

HB 4079 requires the Oregon Land Conservation and Development Commission (LCDC) to create a pilot program for including lands within an urban growth boundary for affordable housing. Two cities will be allowed to participate in the pilot program, one with a population of less than 25,000 and the other with a population greater than 25,000. Cities seeking to participate in the program will have to show that they are making efforts to increase affordable housing available within their current boundaries using tools such as property tax exemptions and allowing accessory dwelling units. Qualifying projects will need to have the approval of the city and land owner, as well as a plan for the development of affordable housing. HB 4079 requires the city to demonstrate a need for the program, and that the project will provide affordable housing, is adjacent to the city's urban growth boundary, and is near public facilities such as transit corridors. Cities in Clackamas, Marion, Multnomah, Polk and Washington counties may not participate. Lands within the North Unit Irrigation District in Jefferson County are also not eligible for participation. No pilot project may exceed 50 acres in size, and the LCDC will have to create rules for the pilot project before cities may apply to participate.

HB 4126: UGB Land Study Process Fix

Effective Date: Upon governor's signature

HB 4126 is a technical fix to the statute that amended the urban growth boundary (UGB) land evaluation process approved by the Legislature in 2013. The issue needing clarification is whether cities that had started a UGB analysis, but had not completed the process when the new rules became operative, could continue using the rules in place in 2013. HB 4126 stipulates cities that provided the Oregon Department of Land Conservation and Development notice of a UGB review prior to January 1, 2016 can proceed either under the rules for land selection that were in place on June 30, 2013 or under the rules adopted and operative as of January 1, 2016. This bill ensures that the few cities currently still trying to finalize a new UGB will avoid litigation which could further delay finalized UGB decisions.

LAND USE – FAILED BILLS

SB 1548: Housing Land Use Pilot Project

This bill did not receive a public hearing. (See [HB 4079, Land Use – Passed Bills](#))

SB 1588: Land Use Exemption for No Growth Counties

SB 1588 would have exempted certain counties, and the cities within them, from developing comprehensive plans in compliance with statewide land use goals. The areas exempted would have been limited to counties with a population less than 50,000 that had not grown in population since the prior census. Upon population growth the county's comprehensive plan would be required to meet statewide land use goals again.



SENATE MAJORITY OFFICE

Oregon State Legislature
State Capitol
Salem, OR

NEWS RELEASE

March 1, 2016

CONTACT: Rick Osborn (503) 986-1074
Rick.osborn@state.or.us

Affordable housing bill passes Oregon Senate

SB 1582 implements \$40 million investment in housing for low-income families

SALEM – Oregon Senate Democrats today passed a bill to increase the stock of affordable housing for low-income households, particularly those in rural and historically underserved communities.

Senate Bill 1582 – a priority affordable housing measure of Gov. Kate Brown and Senate Democrats – passed by a 21-7 vote on the Senate floor. The bill implements the Local Innovation and Fast Track (LIFT) Housing program, developed by the Oregon Housing and Community Services (OHCS) Department, with direction from the Oregon Housing Stability Council. The LIFT program is intended to increase affordable housing availability statewide for low-income Oregonians and their families.

“This bill is intended to create the program that will create and provide affordable housing for low-income families around the state,” said Rod Monroe (D-Portland), who carried the bill. “Housing costs have reached crisis levels in this state. The most basic factor that has a huge impact on a person’s health, wellbeing and safety is stable housing. This will help make that available for more people who need it.”

In 2015, the Oregon Legislature authorized \$40 million in general obligation bonds to fund affordable housing development projects statewide, but did not establish program parameters. With bonds scheduled to be issued in the spring of 2017, Senate Bill 1582 sets forth clear guidelines to ensure that bonding dollars are invested wisely.

SB 1582 establishes a framework for the use and allocation of funds approved in 2015. The measure specifies how OHCS will comply with the requirement of general obligation bonds, to operate or have ownership interest in development projects. The bill also outlines program goals and project selection standards including priorities to contain costs, maximize the number of units created and protect units for long-term affordability. The program places specific emphasis on reaching historically underserved communities — including communities of color and rural communities — and on working in partnership with the Department of Human Services (DHS), to reach participants in DHS programs.

Housing stability is the lynchpin to individual and family stability overall. Addressing the increasingly urgent need for affordable housing statewide is the goal of this legislation. SB 1582 will help ensure that the significant investment made by the Legislature in 2015 is spent wisely and thoughtfully to meet the housing needs of Oregonians across the state.

SB 1582 now goes to the House of Representatives for consideration.

###



3/8/16

City of McMinnville
The City Manager's Office
City Hall
230 NE 2nd Street
McMinnville, OR 97128

Dear Ms. Meeker,

I'd like to share some thoughts on why we selected McMinnville to build our latest multi-family project.

First, I'd like to give you a brief background on our company history and structure. My father, Jim Conser, started our business forty-three years ago as a manufactured home retailer. Dad's original concept was for the dealership to provide the cash-flow to allow him (and his subsequent partners) to develop investment properties. Early on Dad was able to do a few development projects including apartments, manufactured home parks, and retail development.

Eventually my brothers and I entered the business and we were able to expand the business horizontally by creating a construction division building single family homes, a real estate brokerage, a mortgage company, and a company to hold our investment properties. We have since shed our manufactured home retail and mortgage businesses. Today, our construction business (Conser Design and Construction) focuses on building investment properties (like Lafayette Place Apartments in McMinnville,) while our real estate brokerage (Conser Realty and Associates/Conser Commercial) primarily focuses on listing/buying/negotiating commercial and residential investment properties for ourselves and other investors. And, we have added a property management company (Diversified Property Management) to manage real estate for ourselves and others.

Through our 43 years of business we have had experience in all facets of the development process – from purchase and entitlements, construction, completion, financing, marketing, and sales.

When considering a project we have a number of criteria that we look for and the City of McMinnville met most, if not all of those criteria. The factors we consider are location and price of the property, the municipality's Land Development Code and its ease of use, and the market conditions including vacancy and employment. We take a hard look at how long it will take to get a parcel entitled, constructed and absorbed by the market. We also survey the market, determine current rent levels, estimate our costs, and work the numbers backwards to see what we can afford to pay for a piece of property to determine its feasibility.

We primarily look for tertiary markets that have been over-looked by larger developers. The smaller markets tend to be more open minded toward development and growth in their communities, especially after our most recent recession.

In regards to McMinnville, we found the zoning of this particular property allowed us to do what we wanted to do without a series of contentious public hearings. We also found the fact that no new

1010 Airport Rd. SE * Albany, Oregon 97322
P: (541) 791-9310 * F: (541) 791-4119
www.theconsergroup.com



apartments had been constructed since 2008 and the lower than average vacancy rate in McMinnville, as well as the diverse economy, to be incentives for us to pursue this project.

With previous development experience in Corvallis, Albany, Tangent, Lebanon, Millersburg, Salem and other areas, the character, professionalism, and welcoming attitude of everyone associated with the City (Planning, Building, Public Works, Water and Light, etc.) was refreshing. Contrary to many other places we have developed, McMinnville's City staff gave us the feeling that the City was open for business. Some of our experiences, in other locations, have left us feeling that Staff was more invested in throwing up road blocks to development than in solving the problems and trying to figure out the maximum equity they can extract from the developer during the process – this has not been our experience in McMinnville, but it is in other places.

I would be remiss not to mention that entitlement processes can be burdensome and time consuming and we look for parcels that can be put to immediate use. We tend to avoid properties that take a lengthy entitlement process (zoning change/approval, wetlands permits, lengthy public hearings processes, etc.) as bringing a project to market as quickly as possible is imperative for all developers and the eventual success of a given project. Since the economy can turn sour rapidly, the streamlined process (and flexible zoning) in McMinnville was helpful for us. The "predictability" of the entitlement process is always a concern for a developer and the process in McMinnville was straight-forward.

A key contributor to the success of larger projects such as Lafayette Place Apartments is finding appropriate financing. Fortunately, First Federal in McMinnville, our lender partner on this project, was willing to invest in the community and this project. I don't believe the larger banks, at least up to now, have had the mind-set to invest much in tertiary markets like McMinnville. I am not sure what the City can do to get lenders to invest in their cities, but I do believe your staff and processes are doing the right things when a developer/builder comes through the door.

So, the question is, "How does the City get developers to address the City's biggest housing need?"

Like most cities, I am assuming McMinnville's biggest housing need is for "affordable housing." I make this assumption based on the short time it took us to absorb our first phase of our apartments as well as the perpetual waiting list of people wanting to get into the apartments when they come vacant. McMinnville's current vacancy rate indicates a need for more affordable housing. Appraisers and Real Estate professionals consider a 5% vacancy rate to be representative of a "healthy" rental market. I believe McMinnville is well below that vacancy rate currently.

So, I think there are some things that the City could consider in answering "How to get developers to address the biggest needed housing type?" All "market rate builders" want the Cities to understand that any project must offer a reasonable rate of return on the investment; otherwise why do it? We, or any developer, are going to seek the path of least resistance (reduced risk) in their attempts to maximize returns on investment. Plainly, the profit motive is the driver; believe me, there are less risky ways to earn a livelihood. Anything the City can do to make it attractive to building and investing in McMinnville is beneficial. One risk that developers hate to assume is the variability or subjectivity of the development process. The more objective, predictable, and timely the process is, the more attractive it is to the developer.



As firm believers in incentives, a couple ideas the City might consider would be to offer discounted SDC's for needed housing types and/or streamlined approval processes for targeted types of housing.

One of the few variables a developer has control of is the cost of the land; the other components are commodities (lumber, concrete, etc.) with very little margin that the developer can influence. So, methods to increase the affordability by increasing its availability through flexible zoning is a good thing from a developer's perspective – the supply vs. price equation. Anything the City can do to make a project more economically feasible, the more likely it will be that the project will get built.

Unfortunately, I don't have very many answers for you. I can say we are happy to be in McMinnville and we would like to do more in McMinnville. I do believe the City is on the right track and hope that the City will maintain a progressive pro-growth sentiment in the years ahead.

Sincerely,

Greg Conser

OPINION: AFFORDABLE HOUSING HELPS TO SUSTAIN THE ECONOMY

San Jose housing expert advocates for measures that go beyond inclusionary zoning.
By [Kevin Zwick](#)



In 2010, when San Jose developed its 2040 Plan, the Great Recession dominated every conversation. It was hard to think beyond finding solutions to high unemployment, business failures and cutbacks to core city services and instead to speculate about how the economy might rapidly change and cause other problems.

But that is what happened. Once again, we've seen Silicon Valley lead an economic recovery for the Bay Area and the state. Finding jobs for people is no longer the dilemma. It's finding places for workers to live within a reasonable commute and at a rent or purchase price they can afford.

Now we are working on recommendations for what San Jose should envision for 2040. From my perspective, our future is dependent on housing, housing, housing. Without housing, job growth will be stalled because companies will not be able to recruit the best and brightest. Without affordable housing, the people we need to keep our community running, but who will always have paychecks in the low or modest range, will not be able to live here. And without providing permanent supportive housing to our homeless population, we will never be able to get people off the street.

Fortunately, there are four ways that the 2040 General Plan could significantly encourage affordable housing opportunities in San Jose, and none requires city funding.

1) Put deed-restricted affordable housing projects in the city's planned urban villages on a fast track. It is increasingly difficult for affordable housing developers to find land and capital. If all the elements are in place for a viable project, the city should give it top priority, just as it does commercial developments that fall within planning guidelines, and allow it to move forward regardless of when the village overall is proposed to be built.

2) Make affordable housing an acceptable use for any parcel of land that is less than 2 acres, even if it is not currently zoned for housing. This would be similar to the discretionary alternate use zoning policy that [San Jose](#) had in place many years ago and would help affordable housing developers compete with commercial developers for property priced lower than parcels set aside for housing. The city should also allow affordable housing on other public agency owned land, even if it is not zoned for housing.

3) Encourage development of high-density, market-rate housing. This provides a double benefit: It generates housing impact fees to build affordable housing, and it is a positive contributor to the city's General Fund. Residential developments were a drain on city resources when housing was sprawling single-family and low-rise townhome neighborhoods. But a recent fiscal analysis found that compact residential developments generate more revenue to the city than the cost of services for them.

4) Require that any time low-income housing is displaced, such as by closing mobile home parks, there must be a one-to-one replacement plus an additional 25 percent of new affordable housing in the new development.

If we want to keep our economy strong and sustainable, we must pay as much attention to housing, especially affordable housing, as we do to adding jobs. To add a sufficient quantity of affordable housing so that our residents can live closer to work and avoid homelessness, San Jose needs to take a broad, long-range view of the jobs-housing balance and give both equal attention.