

HOUSING ADVISORY COMMITTEE
Meeting Minutes – May 18, 2018 at 9:00 AM
Courtyard Conference Room

Committee Members

Loree Arthur
Duward Brown
David Corsi
Jason Elzy
Sam Engel - Absent
Pamela Hurlburt
Andrew Luther - Absent
Teresa Santucci - Absent
Mary Tillery
Doug Walker (Chair)
Kelly Wessels (Vice Chair) - Absent

Staff/Council Liaisons:

Tom Schauer – Senior Planner (Staff Liaison)
Roy Lindsay – City Councilor (Council Liaison)

Guests:

Josh Balloch, AllCare Health
Tonya Morrow – OnTrack
Michael Masters – Builder/Realtor
Bob Watson - Builder
Gary Jantzer – Builder/Developer

AGENDA:

1. Roll Call:

a. Chair Walker opened the meeting and took roll.

2. Items from Public: (opportunity for citizens to share information with the committee regarding items that are not on the agenda) – Tonya Morrow talked about the neighborhood meeting on the OnTrack Lincoln Meadows 52 unit low income housing project they are proposing. She stated that there is a lot of outreach that needs to be done in the community about the issue of affordable housing. There are some folks that are not happy about this being in their back yard. She said they are going to try their best to be good neighbors. She said they will have their hearing at next Wednesday's Planning Commission meeting and she encourages everyone to attend.

3. Consent Agenda:

a. Minutes: April 20, 2018 Regular Meeting

- Tom stated that the motion to approve the minutes were made by Vice Chair Wessels and seconded by Member Elzy and the second motion was made by Member Engel and seconded by Member Corsi.

MOTION/VOTE

Member Elzy moved and Member Corsi seconded the motion to approve the minutes from April 20, 2018 as amended. The vote resulted as follows: “AYES”: Chair Walker, Members Arthur, Brown, Corsi, Elzy and Hurlburt. “NAYS”: None. Abstain: Member Tillery. Absent: Vice Chair Wessels, Member Engel, Luther, and Santucci.
The motion passed.

4. Work Session Items:

a. Meeting Overview Memo

- Tom asked for the committee's opinion on the length of the meetings.
- Chair Walker asked if the committee would like to keep the two hour meeting or finish as soon as we can.
- It was decided to finish as soon as the committee could.

b. SDC and CET bundled proposal (discussion and recommendations)

- Tom noted that the memo provides an overview of feedback from folks that he has had a chance to talk to.

- Tom said there are potential motions to support the bundle, to support portions of it, to oppose it in its entirety or to continue it.
- Chair Walker asked if anyone had anything to add.
- Member Hurlburt stated that many of the developers she talked to were in favor of the CET. She said it appears that everybody would be paying that tax and a certain group would be benefitting from it who are already benefitting from exemptions from not only SDCs but CETs. She did get support for the sliding scale on the SDCs based on the square footage.
- There was discussion on some local governments being exempt from SDCs.
- Member Elzy stated that when he did his development on Fruitdale Drive the city had a commercial moratorium on SDCs. He said they never explored whether or not the Housing Authority was exempt from the SDC.
- Member Corsi stated that nonprofits building single family homes are not exempt.
- Member Elzy said we need to recognize that a lot of affordable housing developers are not government agencies or housing authorities.
- Member Corsi stated that his biggest problems are building permit fees and SDCs. He doesn't know what a CET would do for them, but building permits are almost 10% of the cost to build a house. If we add CETs on top of that it could make it either impossible or take us out of the realm of affordable housing. While he doesn't disagree with CETs in an avenue for creating some funding for affordable housing, he thinks the biggest problem with SDCs is the building permits.
- Member Corsi stated that it is going to discourage market rate housing. Market rate housing in Grants Pass is a critical issue as well.
- Member Brown said he received the same feedback. There was support for the concept, but somebody is paying that cost.
- Tom stated that the City Council asked this committee to look at the CET and we held off on that until we could look at some of the SDC revisions with the idea that some of those changes would be the tier rate. He asked if this would net a reduction for some and an increase for others would that make a difference to any of the people the committee spoke with.
- Member Hurlburt stated that with every developer they talked with the barrier was the SDC. That did not include the CET on top of that. She said when she talked to people, their basic response was, 'Are you kidding me?'
- Tom said if the net result is some fees go down and some go up would that make a difference.
- Chair Walker said with the builders he talked with a couple of people said if you bundle it up and you reduce SDC or other fees for lower income houses or smaller houses then yes that makes sense.
- Member Corsi stated that from the people he talked with, there was broad support for the idea of doing a tiered SDC. Response from the CET was lukewarm at best.
- Tom asked if anyone received feedback on the idea of CET as a dedicated funding course to help do grants and loans. If somebody is building single family homes under 20% area median income they would be eligible for grants. He asked if there were there other ideas to help

incentivize financially about that dedicated funding source the CET would provide to help build some of that housing that is not being built for those income levels.

- Member Tillery stated that the feedback she received is that the developer would have to get the land for free and they would have to sell it at a price that it is unlikely they could build it for.
- Chair Walker said most of the people he talked to put up a wall as soon as he said the word 'tax', and they didn't hear any of the details. The two people that said it sort of makes sense were ok with those details but they were open to hearing them.
- Tom said with the SDC revisions, if those were taken in isolation from the CET, it would bring down the cost of the market rate housing and affordable housing that somebody is already building, but it's not enough to shift it to get somebody who is building market rate housing to build for those income levels that aren't being built today.
- One of the builders said a lot of what they are talking about is a band aide by trying to use a high economic time right now to solve a long term problem. We are looking at things being extremely expensive to build right now and you are trying to find a solution by applying a tax to solve this problem. When the market goes down and we aren't wanting to build anymore the analysis is completely different. What you are going to do is push the buyer who can afford \$250,000.00 that is going to get an increase in SDC out of the \$250,000.00 market. That \$250,000.00 price is going to go to \$265,000.00. That is going to start putting more pressure on those people to get back down into apartments. All you are doing is taking a second market and moving them up and down.
- Another builder said he has looked at other southwest states and you can get a lot for \$10,000.00 to \$20,000.00. He purchased some land here in Grants Pass and will be spending \$86,000.00 per lot, after infrastructure improvements. He is into land without a profit in an area where market value of the lot is \$75,000.00. He now has to wait until the price of real estate goes up. He said this is a market driven problem and he doesn't know if we can create solutions by taxing to bring the cost of things down. Right now there is an endless market for brand new homes under \$300,000.00. But I have no ability to buy the land and turn a profit, and I don't believe that the Council can tax their way into keeping things more affordable. You are going to have to find a way to create affordability by lowering the barriers to affordability, not by adding costs. I don't see any sense in taking the money from one group of people and then supposedly giving it to another group of people to lower the cost. If it is too expensive to buy a \$400,000.00 in Grants Pass they will go someplace else. If a person is not going to be guaranteed some kind of a payment for the risk they are going to take, they are not going to take the risk. He talked about the cost of materials going up, interest rates going up and having a labor shortage. He doesn't feel that you can ever collect enough money to give to the private enterprise to get the cost down where it could just pencil out.
- Another builder said lives used to be so much simpler before the government complicated it. All these charges and moving money around makes it complicated. He used to build affordable housing 30 years ago

for the Farm Home Administration. It was real simple to do then, SDC charges weren't around then. The government is in the way. It has to be the private sector to be able to make it easy for them to make it happen. All this that you are talking about is not going to help.

- Tom said the committee has talked about this not being one pronged solution. One of the other top issues that came out of the outreach is land supply and working on taking those steps to get the lands that came into the Urban Growth Boundary rezoned from rural zoning to urban zoning. The committee made a recommendation to Council on the work plan to at least start looking at rezoning some areas while we work on our transportation plan that is still ongoing. There are some areas that we have done outreach on. The Allen Creek area already has sewer and water. Service extensions are an issue. Where there are services there are costs associated with AFDs. The reason is that the City has paid to put those services in already.
- Chair Walker said he is personally ok with recommending the CET along with the bundle to the City Council for them to decide on, noting that the construction community in the area almost unanimously is opposed to it.
- A builder stated that a for profit builder trying to compete with a nonprofit building a multifamily is probably not going to have access to all of the same government money. So you are basically saying you want to approve a tax to try and take money from myself and give it to the nonprofits to compete with the stuff I would love to do, but I can't do because I don't have the same set of rules.
- Chair Walker said that is the nature of making the community better.
- Tom stated that by statute those funds are allocated. With the CET, local governments can define what affordable is. Medford just adopted a definition of affordable that included ranges of low, moderate and workforce housing within their definition. They can use their incentives including housing that is affordable to people that make up to 120% of the median income. That is the same definition this committee is looking at. That potentially provides a source of funds that you don't find available through some of the federal programs that are targeted to 80% of affordability.
- Member Elzy said he feels the pain for builders that are trying to build workforce single family homes. That is just one more layer of expense. He wants to make sure that we are also talking about a CET for commercial projects. One of the things we hear from commercial users is the fact that they can't attract the workforce because the workforce has no place to live. To have a CET to help build multifamily residential and other affordable housing is important to this community to invest in.
- A builder said he doesn't feel the nonprofits are going to build enough to meet that need. If you don't bring in the private builders and give them the same access to the discounts to build the multifamily you aren't going to get anywhere near the volume
- Tom said in terms of what is proposed, it isn't based on organization or discounts it is based on an affordability level.
- Another builder said there are some programs that the private builder probably won't qualify for.

- Member Elzy stated that he disagrees with that. The funds that he uses, primarily the low income housing tax credit was in fact designed for for profit developers. It just so happens that nonprofit developers and housing authorities also utilize it.
- Member Corsi said the federal subsidies are unique to a certain set of developers and you have to be experienced in that field of taking tax credits. Most of the developers in this community are not familiar with that. That is a tool that is not available to them on a practical basis.
- Member Elzy said he agrees that it is hugely complicated, it is hugely risky to use these types of funds but all he is advocating is whoever is using it, we want those incentives in this community. When you have other communities that are showing their support to bring those dollars in, this town might be losing out because you aren't showing that same support.
- Member Corsi said what they are saying in the way of support is not the CET but the reduction in SDC and they have fees and government expenses. Commercial has a different motivation and there is a much greater profit basis on the commercial end. On the residential end, since it hasn't been done in quite some time, putting a CET on top of it doesn't make sense. Lowering SDC and related government expenses might be the incentive they need to get started. If we ever get to a point where we can crack the shortage, then the market may respond differently.
- Tom said they asked builders if we eliminated all SDC and fees would you be building housing that is affordable for people making 120% of area medium income. Most of the people said no, they would still be building market rate housing that's not affordable to those levels even if we got rid of all fees. We aren't shifting from single family detached that is affordable.
- Member Corsi said we need market rate as well.
- Tom said that market rate is being built, others are not.
- Member Brown said one of the comments he received was to look at a tired rate CET for residential, since the hope is to have that seed money for residential development. The other thing is that being a nonprofit we are able to leverage a lot of those federal and state dollars. Having a local pot of money is huge and it makes those applications much stronger. He is a nonprofit developer, but he is hiring a for profit developer/contractor to do the actual building so that money is flowing to the for profit sect.
- Member Hurlburt said from the private builder, you are asking them to pay that so you have funds available from the state which you may or may not hire or whether you would even be available to do that because you are doing your own thing. It is still a select group that is getting this.
- Member Brown said that is still leveraging state and federal funds to the local community that is funding construction in our community.
- Chair Walker said the question is do we tax to make this happen or to help with the housing issue and who do we tax. Do we tax builders and the community who hires builders, do we tax somewhere else or do we just not tax altogether? For the City to be proactive, we have to do something. We need a resource to be proactive with.

- Member Brown said there are a number of issues here. These builders are single family developers.
- One builder said he is looking forward to doing multifamily again but his first comment was that we are looking at this in terms of a housing spike. We are more likely to be on a downward trend a year from now than continuing to climb. The analysis is completely different two or three years from now. He doesn't want to go out and build multifamily projects on a chunk of land when everything is extremely expensive. Materials are up, labor is up, SDCs are up, land cost is up and that is all expensive. Something that I'm going to hold as a long term investment, this is the absolute worst time to do that. Multifamily is going to come into play when the economy is down, I don't have single family buyers and you have made the barriers or SDCs to the multifamily ready to go. He doesn't want to have to navigate what goes into a CET because it feels like it is a different business model, just to go train to compete with other people who are building multifamily. He is multifamily ready, but now is not the right time.
- Another builder said he did condos but will never build them again. They are very heavily regulated and the amount of insurance you have to have because of the litigation against condos is high. We would love to build them, but we can't make money on them.
- Chair Walker said we have to move the process forward.
- Member Corsi said he would support a CET on commercial only, or on residential over \$500,000.00 but not on market rate housing or low income housing. He supports seriously reducing or eliminating SDCs for affordable housing, not market rate or luxury.
- Member Brown asked about eliminating current exemptions for government agencies on SDCs.
- Tom said currently each SDC has its own ordinance. Transportation, Storm Water and open spaces, SDCs exempt local governments, including school districts, parks acquisitions and development exempts local, state and federal government He does not have an answer on whether Housing Authority would be considered a local government or not.
- Member Brown said he would move to support the elimination of the current exemptions on SDCs, on the CET he is concurrent with Member Corsi. He personally thinks it is a smart move for the city, but politically he doesn't think people are ready to go there. He doesn't think there is support in the building community for it and he thinks to recommend that to the City Council without more buy in from the building community is a mistake. He would say yes to commercial CET and they should consider a much lower rate for residential, a tiered rate or some minimum threshold.
- Member Tillery asked if we want to stir up the building community over a construction excise tax that is only going to effect a handful of houses.
- Member Corsi said they need to understand that it would affect a few houses. We are trying to promote residential not discourage it.
- Tom said part of the SDC recommendation is to shift SDCs from due at time of permit to something closer to C of O.

- Member Corsi said he doesn't think that shifting it to C of O is any kind of benefit.
- Tom said it is basically financing SDC for free for six months.
- Member Elzy agrees with that. He knows small builders that are putting their SDC charges on their credit cards and holding that for 9 months. Just that savings alone is an incentive.
- There was discussion on the bundle and what to propose to Council.

MOTION/VOTE

Member Tillery moved and Member Hurlburt seconded the motion for the committee to recommend to the City Council adopt those aspects that are in the bundle to include for System Development Charges item 1- allowing six months deferred payments on SDC or other appropriate time frame that directly corresponds to the time needed for C of O, item 2 – have a tiered rate for single family dwellings and SDCs on smaller homes pay a lower rate than larger homes, item 3 – provide upper story residential as part of mixed use in the Central Business District and make them exempt from SDC for transportation only, item 4 – establish low or no interest financing for SDCs for affordable units, item 5 – provide SDC grants for affordable housing that would be funded through CETs, item 6 – eliminate current exemptions for government agencies that exist in the SDC ordinance today. For the Construction Excise Tax, enact a Construction Excise Tax that used the definition of affordable housing as listed in exhibit A, establish a residential rate that is tiered so that for any home that the first \$250,000.00 of permit evaluation would be exempt from the CET, \$250,000.00 to \$400,000.00 of value would be subject to 1/3% CET and over \$400,000.00 would be subject to 1% CET, establish a commercial/industrial rate of 1%, the minimum evaluation threshold goes away based on the tiered rate, no minimum evaluation threshold on commercial or industrial, cap on anything above \$50,000.00, a CET would sunset in 5 years and would not automatically be renewed and proceed with phase 2 work.

- Chair Walker asked if there was any discussion before voting on this.
 - Member Corsi asked about item 5 on the SDC, grants for affordable housing is being funded by CET only.
 - Tom said this wouldn't preclude the City from having other grants should there be other funding sources, but this would specify that a portion of CETs would be used for grants.
 - Member Corsi said this does not imply support for eliminating SDCs for affordable housing or severely reducing them regardless of whether we have CET funds or not. He wants to see more emphasis on reducing or eliminating SDCs for affordable. This gives to me is the wrong impression.
 - Discussion followed.
 - Member Tillery withdrew her motion so the committee can revisit it next month and deal with the SDC issue to reduce or eliminate them for low income housing.
- c. Informational/Marketing Materials (recommendation)
- Tom showed the committee the packet that will be used to inform builders of changes that have happened in the community such as zoning.
- d. Next Priorities – barriers and tools
- System Development Charges (SDCs) – Tabled for next month.
- e. DLCDC grant program (HB 4006)

- Tabled for next month

5. Information Sharing:

- a. Items from staff – Allen Creek Road HB 4007 funds, etc.
 - Tabled for next month.
- b. Items from committee members –
 - None.
- c. Items from Council liaison –
 - None.

6. Future Agenda Building for Next Meeting:

- a. Discussion of SDC issues to reduce or eliminate them for low income housing.

7. Adjournment

- Chair Walker adjourned the meeting at 11:13 am.

Next scheduled meeting: Friday, June 15, 2018 @ 9:00 am in the CYCR

Minutes prepared by Dianne Phelan, City of Grants Pass Administration.