

December 7, 2015  
Noon  
Newport, Oregon

The Newport City Council met in a work session at the above time in the City Council Chambers of the Newport City Hall. On roll call, Roumagoux, Allen, Saelens, Sawyer, Engler, Swanson, and Busby were present.

Staff present was City Manager Nebel, City Recorder Hawker, City Attorney Rich, and Community Development Director Tokos.

Also in attendance were Bill Hall, Lincoln County Commissioner, Diane Linn, Executive Director of Proud Ground, and the following interested citizens: Veronica Willemin, Gus Willemin, Janet Webster, Ann Fineman, Jerry Barrett, Cynthia Jacobi, Lon Brusselback, Eileen Obteshka, Terry Obteshka, Doug Fitts, John Clark, Kathy Cleary, Linda Neigebauer, Bill Branigan, and Jim Patrick.

### **ROLL CALL AND INTRODUCTIONS**

Roll was called and introductions were made.

### **DISCUSSION REGARDING AFFORDABLE HOUSING**

Nebel reported that the city and other locations in Lincoln County are dealing with a shortage of affordable workforce housing in the county. He stated that this is an issue that will face additional pressure as OSU proceeds with the Marine Studies Initiative, expansion of NOAA operations, and other growth that is anticipated in the region. He noted that many factors affect the cost of housing in Newport, including: the high price of land; availability of easily developed property; high property values; vacation rental impact on the housing market; various development costs such as SDC charges and the cost of extension of utilities; and other similar issues.

Nebel reported that Tokos compiled a list of various actions the Planning Commission and Council have taken in to try to address various affordable housing issues in the community. He stated that this is also consistent with obligations under statewide planning goal #10, which directs the creation of an inventory of buildable lands for residential use, and develop plans to encourage the availability of adequate numbers of needed housing units at price ranges and rent levels which are commensurate with the financial capabilities of Newport's residents. He noted that the packet contains the Newport Housing Needs Study that was done in 2011, and the Newport Student Housing Study that was done as part of the facilitation of the expansion of OSU's presence at the Hatfield Marine Science Center with the Marine Studies Initiative. He added that there are recommendations that will need to be considered as the city continues to refine its strategies regarding housing.

Nebel reported that the city has specifically partnered with two organizations to address affordable housing issues in the community. He stated that these include a Habitat for Humanity/Lincoln County where the city has provided property for the development of five owner occupied homes, and the city participates financially with

the county land bank to work toward meeting various housing needs in the city and Lincoln County. He added that the city also partners with Lincoln City and Lincoln County in this endeavor. He noted that the packet includes a copy of the City Council minutes that dealt with this issue. He stated that he has invited Bill Hall, Chair of the Lincoln Community Land Trust, and Diana Lynn, Executive Director, Proud Ground, who is working on a contractual basis for the Land Trust, to update the Council on their activities relating to affordable housing in Lincoln County.

Nebel reported that at previous Council meetings, there have been some suggestions from Councilors that vacant city land could be made available to facilitate various affordable housing situations. He stated that the packet contains a list of vacant properties the city has identified that may have some potential for development. He noted that, as indicated earlier, the city provided land as part of a development agreement with Habitat for Humanity for property located behind City Hall for the development of five owner/occupied housing units. He added that he thinks it would be appropriate for the City Council to review these properties to determine which properties may be appropriate for affordable housing and the process that the City Council would utilize in making these properties available for that purpose. He noted that affordable housing can be built into various mixed use developments as well, adding, for example, upper stories of a building could be used for affordable housing, while the ground floor could be used for commercial purposes. He stated that another major area where there is a significant need is in the form of rental housing, either single family units or multi-family units. He noted that from the city's standpoint, it is incredibly difficult to find even temporary housing for employees coming into the community. He added that when you take a look at other businesses or organizations that want to expand in the City of Newport or Lincoln County, housing is one of their top concerns. He stated that most recently, the Vice Admiral of NOAA was here for the change of command for the MOC-P, and the first question she asked the Mayor and myself was how the city is coming on getting affordable housing. He noted that often, this type of housing is thought to be low income housing, but with the value of housing in Newport, this is really dealing with middle income families trying to either find temporary housing or permanent housing they can afford. He added that he was surprised by the number of NOAA people that live in Philomath, Corvallis, and other areas because of housing issues on the coast. He stated that if we want to expand jobs in Newport for working families, housing needs to be a major issue that is tackled by private, public, or various partnerships.

Allen asked how much money the city has paid to LCLT to date. Nebel reported that the city paid \$30,000 in April of 2015. Allen asked how much money was paid to the consultant to prepare the RFP. Hall reported that the RFP was developed by Proud Ground staff.

Hall made a PowerPoint presentation and distributed two handouts. The PowerPoint presentation related to the LCLT; other housing providers; the LCLT difference; the need; homeless student data; income inequality; the housing problem; home ownership availability; and the consequences of home ownership being out of reach for many.

Linn addressed Council noting that it is critical for LCLT, Proud Ground, and the city to touch bases. She stated that she has been coming to Newport monthly for some time. She explained the workings of land trusts, and noted that oversight of the

LCLT had been transferred to Proud Ground. She added that this gives the city, and other members of the LCLT, access to the entire Proud Ground team. She reported that in an assessment of potential building sites, owned by the city, the Don Davis Park site surfaced as a possibility. She stated that this site was used to prepare a concept to bring to the City Council for consideration, and as a part of the concept development, an RFP was developed using this site. She noted that Proud Ground, on behalf of LCLT, would work with a developer to build a project of this nature. She stated that with the issuance of the RFP, and proposals received, she is hoping to begin a conversation with the City Council regarding possibilities. Busby asked for a list of the responding contractors. Hall noted that when LCLT is ready to close on a property, that transaction must be handled publicly.

Allen asked Hall if he sits on the LCLT Board as a County Commissioner. Hall responded that he is acting as a County Commissioner. Allen noted that e-mails regarding this issue, sent or received through the county's e-mail system, may be public records.

Hall stated that he believed that during the 2014 discussions with the City Council, and the subsequent approval of the memorandum of understanding with the LCLT, that the City Council was willing to entertain proposals. He stated that the LCLT is not a developer, and would need to work with private developers, to bring a project to fruition. He noted that three developers were contacted regarding this proposal, and that two of those declined to submit a proposal. He added that one developer submitted a proposal in response to the RFP. He stated that he was contacted by an additional developer who submitted a proposal and subsequently withdrew the proposal.

Swanson stated that she was irritated that the City Council was not approached about this RFP prior to it being issued. Nebel noted that the concern was in hearing about this from other parties, and that the goal of today's meeting is to define a process so that there is no confusion going forward. Allen stated that the City Council was unaware of the RFP until five days ago. A reference was made to the process used for donating property to Habitat for Humanity. Saelens stated that he prefers not to use Habitat for Humanity as a model, but rather to develop a better process for handling this issues generally. He added that Council did not complete the discussion on best uses for the city's vacant properties. Sawyer agreed with Swanson, and asked whether the proposed developers were aware that the city had not approved that property. Linn noted that the proposal was to develop an idea of what might be accommodated on that property.

Fineman asked what other properties the city owns. Saelens stated that Tokos had done an excellent job in compiling a list of properties, but added that the City Council did not identify the use of those properties in any kind of public process.

Busby asked Roumagoux and Nebel to add an item on an upcoming agenda regarding reopening a discussion on the memorandum of understanding with the LCLT, and whether to continue with it.

Allen stated that better parameters are needed. He added that the language of the RFP does not match what Linn reported earlier in this meeting. He asked why, if the responses to the RFP were due in September, that Council is only now hearing about this, and why Council heard about it from third parties. Hall stated that the RFP deadline had been extended until late October. Linn reported that, in looking at the

RFP language, it should have been re-emphasized to potential proposers, that the project is conceptual.

Allen asked how potential proposers were communicated with. Hall reported that initial communications were through e-mail, and later communications were in face-to-face meetings. Linn reported that there were verbal discussions at three initial meetings.

Nebel reported that he became aware of the RFP a while ago, and made Hall aware that the City Council was not ready to review a concept for any specific property. Roumagoux stated that she first heard about the RFP from Engler, who had heard about it from John Clark, who had heard about it from Don Davis. She added that she understands Hall's point of view in that this was an RFP to determine what could be done with a property. She noted that she was surprised to see that the concept utilized this particular property, but knew that ultimately a project, and a property, would have to come before City Council. She stated that she does not think that the people involved are evildoers or crooks. Allen stated that a more transparent process is needed.

Sawyer asked whether the RFP was advertised to a general group or potential proposers, or whether it was advertised to a selected group of potential proposers. Hall noted that it was advertised to a selected group of potential proposers, as LCLT was trying to bring a developed concept to the city for consideration. Sawyer asked whether there were any regulations that would indicate that an RFP had to be issued to all potential proposers.

Webster stated that there are not too many properties suitable for increasing affordable housing. She asked what the expectations are from the city's relationship with LCLT, and suggested the possible expansion of affordable housing to private property owners.

Engler asked whether the RFP was the only written communication with potential proposers, and Hall indicated that it was. He reiterated that other communication was in face-to-face meetings.

Roumagoux suggested a rating system to rank properties for various uses. Nebel reiterated that a discussion needs to occur regarding how to handle surplus property, and until that happens, future donations of city property should be on hold.

Eileen Obteshka asked how the potential use of this property went from parking to affordable housing. She reported that it had previously been designated as additional parking for Nye Beach. Sawyer stated that this is not surplus property, rather city-owned property. Terry Obteshka stated that it was Don Davis' original intent that this be developed as parking for Nye Beach.

Patrick suggested that the Planning Commission be tasked with developing a process for handling the city's vacant properties.

Saelens asked that the historical proposed uses of the city's vacant property be included in future reviews of vacant properties and potential uses.

Cleary asked whether the City Council is interested in developing affordable housing on this property. Roumagoux reported that this question is premature as there has not been a Council discussion related to this.

Engler suggested looking at all city-owned properties, alternatives, privately-owned properties, resources, and possibilities prior to any commitment.

Eileen Obteshka stated that she supports affordable housing, but that homes built

on this property would be second homes similar to Archway Place.

Nebel noted that a discussion regarding this property, previous plans, and how city-owned properties can be best utilized is in order. He stated that this item will be scheduled for January 4, 2016 for Council consideration and potential action on the LCLT agreement. Allen requested a breakdown of the uses of funds by LCLT and of the LCLT consultant.

Terry Obteshka stated that he appreciates the public comment, and added that he has lots of ideas related to affordable housing.

Nebel reported that he and Engler participated in an affordable housing tour for the City of Bend. He stated that during this tour, Tim Knopp, Bend's Affordable Housing Director, indicated that Bend allocates 1/5<sup>th</sup> of 1% of the building permit valuation for a new project into an affordable housing fund. He noted that this mechanism is currently not available for cities, since the legislature prohibited any new cities from considering this tool based on pushback from the housing construction industry. He added that in Bend, the housing construction industry has partnered on building a number of projects utilizing this funding. He stated that the city, in turn, uses these funds to facilitate affordable housing, and the city has used \$14,000,000, collected through this mechanism, to leverage \$63 million of housing projects in Bend. He added that Bend has implemented a "cottage code" which allows for higher density for affordable housing. He noted that this increases the number of housing units from 22 per acre to 33 per acre, and allows the houses to be built up to ten feet higher than what the regular code allows when being built for affordable housing. He stated that the tour included a senior housing development that was done by private developers, and under the terms of the development agreement, this property is not on the tax rolls for the City of Bend. He added that the city's affordable housing fund provided a \$275,000 loan to help facilitate some of the upfront costs with this project, and the project utilized federal home funds and tax credits to reduce the overall costs for the units, and that people living in the senior housing must be below 60% of median income.

Nebel reported that the tour included a visit to a workforce housing subdivision in which the city acquired property and worked with a nonprofit organization to develop the property into single family owner occupied homes. He stated that the land value allowed first time buyers to meet the down payment requirements, since the property owners could get the property at zero cost. He added that a lien was placed on the property if the property sold, and/or after twenty years when the city would receive payments for the land value over a scheduled period of time. He noted that this was timed so the mortgage payments of the house would be done, and if the house is sold, the nonprofit organization and the homeowner divide any appreciation of value on the structure. He stated that this was done to allow the homeowners to gain assets as homeowners, but still recognize that under this type of development, the homeowners should not realize 100% of the value gain on the property. He noted that the typical cost of the homes in this workforce development neighborhood was \$190,000., and the land value has gone from \$20,000 up to \$65,000 since this program was initiated with the rebound of housing in Bend, and the Shady Pine subdivision was fully occupied with individually-built homes through this process.

Nebel reported that the tour also included a visit to a development built by the Area Housing Commission which was built with funds from various federal funding sources, and was more of a traditional low-income housing project. He stated that unlike the former HUD-type housing projects, there was a certain rental that was established and certain

income requirements had to be met in order to rent one of these units. He noted that individuals renting the units also had the option to secure a Section 8 Housing certificate in order to receive supplemental payments for their rent.

Nebel reported that the final development visited on the tour was a permanent housing facility for veterans. He stated that in a number of cases, homeless veterans have been provided a permanent place to live in this development, which was a revamped apartment complex consisting of three different buildings. He added that the city is exploring ways to expand this housing, which has been deemed a success in getting people off the streets and into permanent housing.

Nebel reported that all of these projects were well done and are meeting various needs in Bend's housing economy where it is very difficult for workers, retirees, and individuals with minimal income to find housing.

Nebel reported that the purpose of today's work session is to create a better understanding of the various issues and options relating to affordable housing in the city, and to define a plan as to how to proceed in dealing with this significant issue. He stated that it is important to develop a cohesive plan for how to proceed. He noted that it is important for various partners in addressing housing issues (Lincoln County Land Trust, Habitat for Humanity, private developers, Lincoln County Housing Authority, and other housing providers) to have a clear understanding of expected roles and the processes in which they can proceed in any partnerships with the city to achieve affordable housing initiatives. He noted that this will help to avoid any misunderstandings and create a playing field in which various partners understand what role the city may play going forward with these efforts.

Nebel reported that it is his opinion the greatest good will come in this area by having a general alignment of the Council, staff, and partners in providing housing in the types of strategies that we may have going forward. He stated that it is his hope that this work session will continue those types of discussions and lead to a clearer direction on addressing affordable housing in the city.

Further discussion ensued regarding the possibility of lowering SDCs to further construction of affordable housing. It was also suggested that a work group be created to study this issue. Nebel reported that he would summarize this discussion for the January 2016 meeting, and revisit other ideas as a part of his recommendation. Linn stated that Hall has worked very hard to bring housing tools to the table. She added that she is hoping to get this process back on track and to open opportunities.

Eileen Obteshka asked where money to fund affordable housing will come from, adding that residents cannot be tapped out more.

Allen stated that the issue is handling the process transparently at the city level.

Tokos noted that there are two items in progress. One is an SDC review, and the other is a discussion on multiple unit property tax exemptions which would be incentive based.

Webster stated that she does not think the city should own housing. She added that the community cannot grow if people cannot live here. She suggested that the city's role should be one of facilitation, and could earmark monies for a facilitation program. She noted that the Lincoln County Housing Authority has a property inventory, and that an inventory of all affordable housing units would be advantageous.

Jacobi stated that she hopes for an alternative site for this admirable project. She urged protection of the viewshed.

**EXECUTIVE SESSION PURSUANT TO ORS 192.660(2)(i) - PERFORMANCE EVALUATIONS OF PUBLIC OFFICERS AND EMPLOYEES - CITY MANAGER**

Nebel reported that his employment agreement provides that an evaluation be completed annually. He stated that the evaluation committee has met and compiled the results of the evaluation. He added that under ORS provisions, an evaluation may be conducted in executive session at the request of the employee being evaluated. He noted that he thinks it is appropriate to have evaluations conducted in a closed session, and requested that Council convene an executive session for this purpose.

MOTION was made by Saelens, seconded by Engler, to enter executive session, pursuant to ORS 192.660(2)(i) to conduct a performance evaluation of the City Manager. The motion carried unanimously in a voice vote, and Council entered executive session at 1:34 P.M.

MOTION was made by Sawyer, seconded by Saelens, to leave executive session and return to the work session. The motion carried unanimously in a voice vote, and Council returned to its work session at 2:42 P.M.

**ADJOURNMENT**

Having no further business, the meeting adjourned at 2:43 P.M.

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Margaret M. Hawker, City Recorder

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Sandra N. Roumagoux, Mayor