

MINUTES
City of Newport Planning Commission
Work Session
Newport City Hall Conference Room A
May 26, 2015
6:00 p.m.

Planning Commissioners Present: Jim Patrick, Rod Croteau, Lee Hardy, Mike Franklin, and Gary East (*arrived at 6:11 p.m.*).

Planning Commissioners Absent: Bob Berman and Bill Branigan (*both excused*).

PC Citizens Advisory Committee Members Absent: Dustin Capri.

City Staff Present: Community Development Director (CDD) Derrick Tokos and Executive Assistant Wanda Haney.

Guest: Sally Bovett, Habitat for Humanity of Lincoln County.

Chair Patrick called the Planning Commission work session to order at 6:02 p.m. and turned the meeting over to CDD Tokos, who said he would have Sally Bovett cover the agenda item, Habitat's revised proposal.

A. Unfinished Business.

1. Revised Proposal by Habitat for Humanity of Lincoln County to build low-income, affordable housing on City-owned land. Tokos distributed an aerial map showing the subject properties. Bovett said when she last met with the Commissioners, they had a couple of questions. She was going to try to give more detail of what Habitat is looking to do. She said what they would love to have happen is that the properties on the map that Tokos handed out would be really suitable for low-income housing in Newport. Habitat hasn't been able to build in Newport because of land costs; yet there is a huge need. Bovett said what Habitat is proposing is to put in two duplexes; one on each of the flat properties adjacent to the recreation center, and probably one single-family house on the sloping property for a total of five units. Habitat has the ability to fund the first duplex; and that is something they could build in the next fiscal year. They would have to go out for a grant for the second duplex, which would push out another year to do the build. The program works with low-income housing; annual income between 30% and 60% of median family income (MFI). This year, that's \$57,800 for a family of four. Usually what they work with is between \$23,000 a year to about \$35,000 a year. They would propose raising to 80% to satisfy the 20-year affordability piece. That is as high as they go. That would bring some income around \$46,000 depending on the year it's built; it changes from year to year. When they get a property, Habitat advertises where it is so people can determine if they want to apply. Applicants have to qualify for the program. They have to have been a resident of Lincoln County for one year, meet the income requirement, they have to go through a criminal history check, and they have to have decent credit or improving credit. Habitat helps them fill out the paperwork. They have to have an actual need for housing. This is done before the family's selected. Habitat removes the names from the applications and have a blind application process so there's no favoritism shown. The names are removed, and they're assigned a number. The decision is made by the Board based on the need and information provided. The Habitat Board selects a family. Once that family is selected, that is when they're told the name of the family. If they're selected for a Habitat home, they have to have budgeting classes and home maintenance classes. If they don't keep up their home, Habitat can take it back. The 20-year affordability would be in the trust deed so it can't be sold above 80% MFI; and they would be told that before they apply for the home. That's a little different than Habitat's existing program. Now they gain equity after the fifth year; the difference between the cost and fair market value. Habitat wants them to gain from personal wealth so they do incremental equity. With this property Habitat would have that piece taken out of the trust deed.

Franklin asked if a new person were to buy the home, would they qualify for the same zero percent interest loan. Bovett said if they buy from Habitat. They have to meet the requirements. Another requirement is 500 hours of sweat equity on their own home or another Habitat home. If they have a disability, they can do office work, work at ReStore, or work for another nonprofit. Bovett said that Habitat is a real proven builder and is the largest in the world right now. In Lincoln County, they are the only one doing low-income. They did seven in the last years on time and on budget. If the City partners with Habitat, their goal is to build as quickly as possible. They don't help being empty lots. They want to get mortgage revenue coming back. They use that for seed money for the next build. They want to build right away. They are looking at about three years to complete all the houses beginning July (next fiscal year). Franklin asked what Habitat's build times are. Bovett explained six to nine months. A duplex may be a little quicker because the footprint is smaller. It's contingent on weather and volunteers. They still have to sub out certain things. For plumbing and electrical they have to hire subcontractors. The rest is done with volunteers working under the general contractor. That contractor is required to take a safety training course through OSHA.

He coordinates the volunteers that are coming out. Build times speed up or slow down based on the number of volunteers. On average they have over thirty volunteers.

Gary East joined the meeting at this point.

Bovett said often contractors will donate part of their time. On average, Habitat builds for \$70-\$77 a square foot. Regular construction is usually over \$100 a square foot. Habitat builds cheaper because of donations and volunteers. Usually Habitat can build a single-family home for \$75,000.

Bovett noted that right now this land is not on the tax rolls at all. The City's not getting any revenue at all. She estimated that in the next twenty years at \$2,000 per house that's over \$160,000 in property taxes. The City will receive almost the full value of the donation within a 20-year timeframe. Even though it's a donation, it brings back money.

Tokos said bringing this forward, he could schedule this for the next meeting as a recommendation from the Planning Commission to the City Council. He thought as this comes together, this can be done as a letter of recommendation. He thought the Commission would probably like to see a draft of the donation agreement where the parcels would be conveyed at a particular benchmark. That could be covered under the agreement. It would cover certain steps; the City conveys property to Habitat with the understanding that other parcels would be made available within a certain window of time. Bovett said the request was for property and \$100,000 loan from the revolving fund. If the City chooses just to donate the property and not loan the \$100,000; she will need to do a multi-year grant request for this. The grant application will show leverage with the property. They also have money for the first duplex. She needs to know if that will happen so when she writes the grant requests she can include all three properties.

Bovett noted that another question the Commission had asked was if any other City had donated property. Lincoln City donated four lots. All are built and have homes. The last home was built in 2008. It's just to the left of the driveway at Taft High School. They are really nice houses. The same families are in there. She said that Habitat's business model is really good. The fact that they require so much on the front end of their homeowners (the classes, etc.), they are making sure they are successful homeowners. Habitat's default level is less than 2%, where default nationwide on conventional homes is up to 7%. For all fourteen homes they have built, no homeowners are in arrears. They have done a really good job in Lincoln County making sure the homeowners they select are successful. Croteau asked if most of them are still the original homeowners. Bovett said all of them are. Then she noted that for the first house built in Toledo, after sixteen years the owner refinanced it when they had their equity and paid back the loan. That was seed money for Newport ReStore. All others are still in their homes.

Patrick said that he didn't know if the Planning Commission can make a recommendation as far as the \$100,000 loan. He thought the Planning Commission won't have much to do with that. Tokos said he can put some language together about that. He said the key thing is that the Planning Commission has statutory authority on affordable housing. He can pull that into a letter to the City Council as well. He asked Bovett if the language regarding affordability she would put in the deed of trust is language that they already have. Bovett said there are others that have done the same thing. Habitat does all of their own closing documents. They will just be putting that in it. Tokos asked if the Commission could see that prior so they can see what that looks like. Bovett said it's a statement that restricts selling the home above 80% MFI. That's what others have done. That is the cutoff. It makes it easy when it's marketed and advertised for the next homeowner. They're told that this is a restriction on their home. They have to decide if they want to deal with it. Hardy asked if Habitat is qualifying their buyer when a homeowner wants to sell. Bovett said Habitat has the right of first refusal if they choose to buy, yes; if not, no. On this property that restriction would still be in place. On others they do incremental equity so a buyer just doesn't flip it. The homeowner doesn't get any of the difference right off. She gave an example that it cost \$100,000 to build and fair market value is \$150,000. Once it's built, that's \$50,000 difference right away if the owner wanted to flip it. To prevent that, Habitat doesn't give them any equity until the end of the fifth year; then beginning of the sixth year they get 10% every year.

Franklin asked if a duplex would be sold as two separate units; and Bovett confirmed that. Tokos said these are actually multiple lots. There are more than one lot here. He said that there's also the potential to work into the donation agreement that the street is 80 feet of platted right-of-way, and there might be an opportunity to do some street vacation to get it down to 50 feet. Bovett said they don't want to build an unsightly home anywhere. Habitat wants people to really want their homes. She noted that this property is very visible, and they want a nice-looking home on it. The duplex might not even share a common wall, but just a common roofline so it still qualifies as a duplex. That's what she's suggesting here so they look separate. It would make Habitat look bad if the home doesn't fit in well.

Tokos noted that the home on this map to the south side of Pine, between Pine and Hatfield, may be in foreclosure. It may be vacant and isn't in the best condition. It was just brought to his attention, and he thought that might be worth checking into and pursuing. Bovett said they just finished a home build in Siletz. It was a 1942 foreclosed home donated by Bank of America. They just finished the rehab, and it's beautiful. She said that she needs to find out about the home that Tokos mentioned. The

family is in the Siletz home; it was the perfect location for the homeowner. It was a small 850 square foot, two-bedroom home built in 1942; which fortunately didn't have any asbestos or lead paint.

Patrick said he was thinking about how to sell this to the City Council. Bovett said as an economic thing. Patrick said Habitat is asking for a loan and an outright donation. He was wondering about a multi-year grant where the City just donates the land. Bovett said she will ask for the land first. Patrick said Bovett might want to have that as a back-up plan. He noted that it's for a good cause and something that we need to do, but he just doesn't know if the money's there. Tokos said the money is budgeted. He and Bovett talked and decided that it's a lot to ask for the land and the loan in one fell swoop. It's more palatable if Habitat asks for the land for the construction of a duplex and then come back when they have a track record to show. Then they could express that they would like to do the next one but need a loan to accelerate the construction cycle. Bovett said if she's successful in her grant writing, Habitat might not have to ask for the money. They might be able to get enough to build two duplexes, and then the third year the single-family home. She feels fairly confident about the first two duplexes. We don't want the lots just sitting there because they haven't been generating anything. Croteau asked if having the pledge of a loan increases grant funding. Bovett said it decreases it. Tokos said he guesses that the donation agreement is a big deal, and Bovett confirmed that it is. She said that showing they have the land helps the grant request. Patrick said he thought that's the way to approach it. The donation has triggers. Then get a multi-year grant or come back and ask for a loan later. That keeps it fairly clean. Tokos said to keep the terms relatively simple. We don't want the donation agreement to be overly complex. Bovett said the loan would allow them to build quicker; to accelerate the building. Because Habitat is the bank, they have mortgage revenue from other builds; which gives them a little bit of money toward the next build. They have ReStore profits. Habitat has enough for one build per year; but not two. That is why they need the extra year to fund one duplex. Patrick asked if that money is in the budget for this year will it go away next year. Tokos said there are no plans for it to go away. It's a revolving loan fund. If it's allocated by the City Council for a project, it would be allocated and tied up in that project until it's completed. It's dedicated for that purpose. If it's not being utilized, which it isn't now, the City Council could say they don't want to do this anymore and repurpose it for something else. It can be re-evaluated next year.

Croteau asked if looking countywide, that's one build per year. Bovett said it depends on the funding. On funding without outside sources, it's one build per year. She said Habitat has built four units in Lincoln City, four in Toledo, two in Siletz, two in South Beach, and two in Waldport. They only haven't built in Newport because most land is \$60,000 or more; and their entire build budget is \$100,000. Patrick asked what the terms of the loan are. Tokos said it would be on a separate agreement, and we would have to negotiate the terms. We haven't drafted the agreement yet. We did work with the Land Trust and progressed quite a ways. The Land Trust had a partner, CSC, which ultimately decided they didn't want to be in the housing business so things unraveled a bit. He said we haven't meshed out the details. Bovett said Habitat is requesting a loan they would pay back at 0% interest. Tokos said the proposal would be whether the City Council agrees. Bovett said that other cities have revolving housing funds they usually lend at 0%. If Habitat had access to the \$100,000, they could build really quickly. She said that she had wanted to pay back the loan in five years. Tokos said that Lincoln City did a loan that was pretty narrow and had a relatively quick payback. Bovett said the intention is if they had a \$25,000 loan, they would just make a payment every month for five years to pay the loan back; they are not asking for a grant. They are asking for this property as a donation. Tokos thought that Lincoln City essentially took the debt proceeds and turned them over to pay off the construction loan. He said there are different ways of structuring it; over a five-year period, or hinged upon the sale. Bovett said it would be easier over ten years. Five years would be quick enough; if they built in three years, that's only two more years. Tokos said with different organizations, loans would be structured differently. Croteau asked what the dedication terms are for the revolving fund; affordable housing, or more specific. Tokos said, workforce housing, which could expand beyond 80% MFI. For this particular proposal, we're talking about a donation agreement not a proposal for a loan of money at this point of time. Bovett said for workforce housing, they can buy a bigger house and they're not buying the land. They also have to have good enough credit for a conventional home loan. Habitat is the bank and is working with a group below workforce. Croteau said maybe it's 120% for workforce. He asked if there is flexibility in the revolving fund, and was told yes.

Bovett said if they were to get the loan and paid it back, then the next group could use it. Now there are not any affordable houses being sold at all. These people have to live out of town, and transportation adds to their housing costs. Housing costs are high, and people are having a hard time. It would be a good thing to have more units in Newport. Croteau said that she would get no disagreement there. The Commission has talked about that for quite some time. He thought this is a good option. Tokos said it's a hard thing to get traction on, and this seems reasonable. Hardy said presentation is the key. Bovett said she would bring volunteers and homeowners. She said that Habitat has great community partners, and she would love them to come and have them talk about the program.

Franklin wondered if Habitat had enough money that they could partner with Adair or Hi-Line Homes. He did that with them in Bend. Bovett said Habitat tries to get volunteers, and it's hands-on for the owner. That would be lost with Adair. Volunteers support Habitat when they get involved. That is a piece they want to keep with the volunteers. Franklin said Adair and Hi-Line has something like that; they allow the owner to be part of things like painting and cleanup. Bovett said Habitat would have to pay Adair. Because Habitat is a nonprofit, they get donations. People couldn't donate to Adair. That saves Habitat a lot. They have some really kind subcontractors doing what they can. On the last home in Siletz, the local

electricians' union donated the electrical work. Habitat paid for material and not the labor. They have done that for the last three houses.

Tokos said that Bovett had asked him when the City acquired the properties. One on Hatfield was picked up in 1944, and the next in 1967. The one on Pine was in 2000. Bovett said so the most recent has been sitting there for fifteen years.

Croteau asked what the Commission does next. Tokos said a letter of recommendation to the City Council. There is no hearing per se. The City Council will hold a public meeting to find that the property is not needed for a public purpose so they could then release it for donation under an agreement. He hoped to actually give the Commission an opportunity to look at a draft of the donation agreement. Croteau said so the Commission would be making a recommendation on the draft agreement to the City Council. Tokos said that the target is for one of the Commission's June meetings. Patrick thought that was doable. He would pull the \$100,000 out of it. Bovett said they have talked about it. Patrick thought it's a good plan as far as the donation agreement. Bovett said the only reason they asked for the loan was to accelerate the build. Maybe the Council does want it quicker. The land is really the most valuable donation for them.

East asked if Habitat already has a duplex designed. Bovett said that Habitat has been building duplexes for years across the nation. The affiliates borrow from each other. There's a website with house plans that all affiliates have access to. Eugene is doing a 12-unit duplex. She would probably take that. There are six duplexes on the same street and is designed to give the feeling of being separate houses. She likes that feeling of being single-family houses. East said or even divided by the garages. Bovett said she wouldn't be picking plans based on the vacation of the street. If that were to happen, that would be nice because it would give extra area around them. They'll build as big as they can without that. It depends on the family size that applies. They don't have it set until they know the size of the family. Croteau asked how the street vacation would happen. Tokos said under the donation agreement it would state that Habitat and the City would work collaboratively to address that. It would be framed as a possibility. Bovett said she would plan not to have that land just in case.

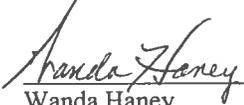
Patrick assumed that Habitat would most likely start with the easiest lot first, and Bovett confirmed that. She asked which the Commission thought was the easiest, and was told the square lot on 10th and Pine. Bovett said donated land most often are not the easiest lots to build on. They have to weigh that it was donated for nothing but costs \$30,000 because there is a water issue or a retaining wall is needed. Habitat has to be careful because sometimes what they have to do to make it buildable is not worth the donation. They are good at looking at those and getting engineers to look. Patrick thought the first two lots are doable. Tokos said the others will be released only after we proceed with the agreement. Then if they're not donated, it stays in the City's inventory.

Bovett said that she would like to put five units on there. In Newport that would be huge. The location is great. It makes the City look good.

Patrick asked if Habitat has ever done tiny houses. Bovett said some places are looking at that because land costs are high. They've also partnered with Land Trusts. Patrick thought down that hillside, you might get tiny homes there. Bovett has seen plans from the Seattle area. They are getting creative. She would be totally open to that. If it means going from a renter to being a homeowner, that's huge. There are families out there with no kids. It could be an older couple that needs a home. Tokos noted that the MFI will adjust based on family size. Bovett said that four is about where they fall in most homes.

C. **Adjournment.** Having no further discussion, the work session meeting adjourned at 6:50 p.m.

Respectfully submitted,



Wanda Haney
Executive Assistant