

CITY OF SILVERTON
AFFORDABLE HOUSING TASK FORCE MINUTES

Silverton Community Center – Council Chambers – 421 South Water St.

July 16, 2019, 8:30 a.m.

I. CALL TO ORDER

Chairman Kyle Palmer called the meeting to order at 8:32 a.m.

Present	Absent	
X		Kyle Palmer (<i>departed at 9:33 a.m.</i>)
X		Dana Smith
X		Jason Freilinger
	Excused	Sarah DeSantis
X		Harry Douglass
	Excused	Kari Johnsen
X		Bonnie Logan
X		Laurie Chadwick
X		Sarah White
X		David Goldblatt
X		Gene Oster
X		Terry Caster (<i>arrived at 8:48 a.m.</i>)
X		Molly Ainsley

Staff Present:

Community Development Director, Jason Gottgetreu and Assistant to the City Manager/City Clerk, Angela Speier

II. APPROVAL OF MINUTES

Member Smith made a motion to approve the minutes from the June 18, 2019 meeting as presented. Member Freilinger seconded the motion. There was no discussion and the motion passed unanimously (10-0).

III. PUBLIC COMMENT – None.

IV. DISCUSSION/ACTION

4.1 Discuss Construction Excise Tax, System Development Charges and Minimum Lot Sizes

Community Development Director Jason Gottgetreu reviewed the housing strategies the Task Force has discussed to-date. He explained one area that will likely be discussed again today is allowing the cottage clusters or courtyard apartments in the R-1 zone and having two approaches. One approach is to allow them through a market based approach or the Construction Excise Tax (CET) could be used as a carrot for if they are rented at an affordable rate, using the Marion County Voucher Program rent guidelines.

Director Gottgetreu reported the State Legislature passed House Bill (HB) 2001 which precludes single family zoning in the state. For cities that are 10,000-25,000 population range any lot where a City allows a single family home they must allow a duplex to be built on it as well. The bill becomes effective January 2021.

The state passed a law that establishes a new authority for cities and counties to impose a CET on residential construction, at a rate of one percent of the permit value of the construction and on new

commercial and industrial construction, with no cap on the rate. The state law also creates a framework for inclusionary zoning; however, a city may create a CET program without adopting an inclusionary zoning ordinance. The City of Corvallis imposes a CET, but does not have an inclusionary zoning program. They are planning to release an annual Request for Proposal (RFP) for applicants seeking the CET funds. This allows the development community to explain what type of housing they would provide using the CET funds. Director Gottgetreu provided an overview of the permit fees associated with building a single family home since January 1, 2019 in Silverton. The fees include the school CET, SDCs, and the building permit fee. If a one percent CET fee was collected on the total fees the City would have collected \$51,573 from the 18 homes that have been constructed so far in 2019. He explained how the construction valuation is calculated. Member Freilinger would like to know why a 2,100 square foot house would pay more in permit fees than a 3,000 square foot house. Director Gottgetreu explained some of the houses were charged an additional fee of \$1,000 for the Special Steelhammer SDC and that building permit fees vary based on a number of different factors. He also reviewed the fees that vary based on the square footage of the home. The state dictates how the City could allocate the \$51,573 collected from CET:

Percentage	Dollar	Purpose
4%	\$2,063	To the local government for administering the tax
50%	\$24,755	To developer incentives
15%	\$7,426	To Housing and Community Services Department to fund homeownership programs that provide down payment assistance in the area for which they were recieved
35%	\$17,329	For affordable housing programs and incentives as defined by the local jurisdiction

If the city chooses to not enact inclusionary zoning the developer incentives could be used to provide fee waivers or reductions, or whole or partial waivers of SDCs, full or partial exemption from property taxes, and/or finance-based incentives. Silverton does not have an affordable housing program currently. Member Ainsley commented the current fees on smaller homes are approximately 5 times per square foot higher than the larger homes. She said it is more expensive to build a smaller home, based on the fees. Director Gottgetreu explained it is not a linear relationship, the bulk of the fees are SDCs which are the same for every new single family home. Member Freilinger asked about the difference between the developer incentives and the 35% for affordable housing programs. Director Gottgetreu explained the incentives have to go directly to the developer, whereas the 35% could be given to directly citizens that need help in housing. Both could go to the developer if the City chooses to develop that sort of program. In order to ensure that a unit stays affordable the City would need to have a developer agreement in place. The City of Bend has different types of agreements that ensure the property will be rented at an affordable rate for a 50 year span.

Director Gottgetreu reviewed the City of Newport's SDCs which is a tiered approach. He applied a similar tiered approach to Silverton in order to see how it would impact the fees.

Type (sq. ft.)	Size	Current Fees	Tiered Fee	Difference	Tiered Fee w/CET
Large (2,900)	2,986	\$29,857	\$38,184	\$8,327	\$42,129
Medium (1,701-2,900)	1,978	\$28,602	\$28,602	\$0	\$30,852
Small (0-1,700)	1,520	\$26,833	\$19,547	-\$7,286	\$22,047

Overall the City would lose \$35,000 in SDCs which is a little less than ten percent. Director Gottgetreu showed the Zillow page for two new homes being built in Silverton. The first house is listed at \$379,900 and is 1,561 square feet and the second house is listed at \$395,000 and is 1,800 square feet. He stressed that even if the permit fees were lowered that doesn't necessarily mean the price of the house would go down, the developer will sell the house at the market rate. Both houses essentially have the same impact on the system; it would be hard to justify the difference in SDCs. He explained that multi-family housing is about half the SDC cost per dwelling which is approximately \$10,000. Member Smith agrees that there would not be a significant difference between a 1,500 and 1,800 square foot house with the same number of bedrooms in terms of impact to the system. However, a 1,000 or less square foot

house or ADU would have less of an impact to the system but no one is building those, because it is basically the same fees. Member Oster said the focus should be to get the cost to build smaller homes to a more affordable level so people will start building them. He explained the profit margin is what is driving builders to build larger homes. SDCs are supposed to represent the impact to the infrastructure system and he doesn't believe that a 400 square foot ADU would have the same impact as a larger home. Member White said the Task Force should look at incentives to provide builders who will charge rent that complies with the Marion County Housing Voucher Program. She said currently there a number of people in the community that have vouchers, but cannot find a rental for under \$795 per month.

Director Gottgetreu explained the cottage and courtyard apartments would pay SDCs at the multifamily rate. Member Freilinger said it seems there might be a need for a new SDC category, but the City budget and the return on investment need to be factored into the decision. He said the Task Force should look at smaller lot sizes and restrict building that only allows for one bathroom, one car garage or no garage, a small kitchen and with that you would get lower SDCs and it should lead to more affordable housing. Member Oster commented he doesn't think the City could mandate a builder to build a certain size house. Discussion ensued on if a builder could use a ½ inch water meter instead of the typical ¾ inch meter, but due to water pressure a booster pump would likely be needed.

Member Caster voiced his concern for the rising SDC costs and inquired if the CET would keep going up like the SDCs have. He also said it is impossible to lock rent prices in for 50 years. Member White explained the rental rates could be locked into the Marion County Housing Authority schedule of rates and their guidelines.

Director Gottgetreu reviewed the minimum lot size of other cities in the surrounding area and how they compare with Silverton's 7,000 square foot minimum lot size. The Task Force discussed the upside of lowering the minimum lot size to 5,000 square feet and decided to forward this as a recommendation to City Council.

Chairman Palmer left at 9:33 a.m. and Member Freilinger led the meeting.

The members discussed the fees associated with prefabricated homes and Director Gottgetreu explained the building permit fees are a lot less and there is only a placement fee associated with that type of housing.

Director Gottgetreu said the Housing Needs Analysis is underway and the consultant will be presenting their preliminary findings related to the Buildable Lands Inventory in August. Staff will work with the consultant to get a report to the members prior to the presentation.

Member White asked if the Task Force could explore boarding house models and cohousing opportunities in the City. She would like to see if other cities have models the Task Force could explore. Once the Task Force works through all the affordable housing possibilities Director Gottgetreu will draft a report of the recommendations and the Task Force will provide feedback on each of those. Once the report is finalized it can be presented to City Council. At that time City Council can direct staff to amend the Development Code to include the recommendations. Those amendments would need to go back to the Planning Commission and then to City Council for final adoption.

V. ADJOURNMENT

Member Freilinger adjourned the meeting at 9:50 a.m.

Respectfully submitted by:

/s/Angela Speier, Assistant to the City Manager/City Clerk