

A special meeting of the Astoria Common Council was held at the above place at the hour of 7:00 pm.

Councilors Present: Nemlowill, Herzig, Warr, Price, Mayor LaMear

Staff Present: City Manager Estes, Community Development Director Cronin, and Interim Planner Morgan. The meeting is recorded and will be transcribed by ABC Transcription Services, Inc.

Panel Members Present: Todd Johnston, Executive Director, Northwest Oregon Housing Authority; Elaine Bruce, Director of Social Services, Clatsop Community Action; Jim Tierney, Executive Director, Community Action Team; and Jared Rickenbach, Northcoast Builder's Association arrived at 7:10 pm.

## **REGULAR AGENDA ITEMS**

### **Item 3(a): Astoria Affordable Housing Study (Community Development)**

The Community Development Department facilitated a discussion with City Council and a panel of professionals to review the Affordable Housing Study, which was included in the agenda packet.

Mayor LaMear said this work session was the result of two years of City Council goals. In 2014-2015, City Council's goal was to develop an affordable housing survey working with community partners. The goal for 2015-2016 was to utilize the housing survey and promote housing that Astorian's can afford. The survey was completed by a wide variety of people in the community and the City is ready to make an action plan. As people talked about affordable housing, workforce housing, Section 8 housing, and subsidized housing, City Council became unclear of the terminology. This study includes a glossary of terms, which will be a big help. She reminded that the work session was limited to discussing affordable housing for Astoria's workforce, police, fire, teachers, cannery workers, and others who work in the community. The survey was very well done and inclusive. She thanked Interim Planner Morgan, Ami Kreider, and Christy Ashley for putting the study together. She asked the panel members to introduce themselves.

After panel member introductions, Staff presented an overview of the Affordable Housing Study. During the presentation, the following key concepts were noted:

- The housing situation in Astoria affects economic development, so a two-pronged solution will be necessary. Incomes must grow so people can afford more housing choices and more affordable housing choices must be produced.
- Statistics indicate Astoria has a zero vacancy rate, incomes are low, and rents are high.
- Astoria has a large deficit of R-1, Low Density Residential zoned land. However, R-2 and R-3 zones do allow single-family dwellings.
- The tradition of buying a first home, upsizing to accommodate a family, and then downsizing for retirement is changing. Current local housing drivers include: demographic shifts, cultural shifts in marriage, and an increase in single heads of households.
- Astoria does not have many buildable lots left, but there is an increase in people moving to Astoria.
- Financial factors include: access to capital, financial literacy, and stagnant wages.

Director Cronin read Staff's draft Problem Statement and asked for feedback from Council. Councilor Herzig requested the wording in the Statement be changed because he believed it should be as flexible as possible. Councilor Nemlowill agreed and said she was glad Staff was considering this issue in terms of economic development. Businesses are having difficulties finding qualified workers, which prevents businesses from growing. Staff and Council briefly discussed workers in Astoria looking for housing outside of Astoria city limits.

Interim Planner Morgan noted that affordable housing is an umbrella term used to describe all types of housing that receives some level of assistance through public, private, or non-profit organizations and market rate housing at the low end of the scale. Councilor Herzig believed the definition of affordable housing contradicted

itself. Mr. Tierney explained the term “affordable housing” was intentionally coined to replace “low income housing” to make such housing sound more attractive to funders and the legislature.

Councilor Price suggested the word “affordable” be removed from the italicized sentence because both market rate and affordable units are in short supply, so Astoria needs a comprehensive housing strategy.

Director Cronin reviewed case studies of housing solutions in Portland, which included mixed-use workforce housing, mixed-use subsidized housing, workforce housing, multi-family rehabilitation projects, and small housing innovation projects. He recommended the City take the following actions:

- Amend the Accessory Dwelling Unit (ADU) policy to allow garage conversions.
- Begin an infill development program with softer design standards for infill to enable imperfect lots to be compatible with the neighborhood.
- Create a vacant home registry and more enforcement for vacant homes.

Mayor LaMear said Habitat for Humanity in Clatsop County used to be very active. She believed vacant homes could be renovated using the Habitat model. Director Cronin agreed.

Director Cronin noted possible discussion topics for the rest of the meeting and explained the feedback received would be used to complete Phase 2 of this study. The topics included:

- A property tax abatement system
- A community development block grant
- City funds – tax increment financing/Urban Renewal Funds
- Foundations that provide affordable housing funds
- Oregon Housing Community Services programs – tax credit and first time homebuyer programs
- Equity funds
- He noted the actions City Council could take immediately included supporting other organization’s funding requests, possibly through a letter of support, and establishing a task force to develop Phase 2 of this study, which Staff would report to Council on in early 2016.

Interim Planner Morgan explained the building permits for the multi-family units in Mill Pond were issued to Sheltered Resources, who built workforce and senior garage units. Mr. Krueger developed Edgewater at Mill Pond and the Yacht Club.

Mr. Johnston shared details about the Northwest Oregon Housing Authority (NOHA), which offers the following programs, services, and projects in the local community. NOHA’s primary program was the Housing Choice Voucher Program, which serves very low income and extremely low income with preference given to elderly, disabled, and homeless. NOHA also administered tax credit projects, which are the Astor Hotel and the Owens Adair Building. He noted the wait lists for both locations, agreeing there was a huge need; more than the resources NOHA could provide.

- He confirmed that NOHA has a mortgage on the Uniontown Building. Plans for a tax credit development project were postponed because other properties became a higher priority. NOHA plans to renovate the building for housing, but it is currently available for use. The building is historic and in bad condition, so the cost of renovation will be high even though it only has 16 units. NOHA continues to look for resources to develop the property.

Council, Staff, and panel members discussed the voucher program, which allows tenants to live anywhere they choose and rent from a private landlord. The program currently has a wait time of three years because it is so popular. The wait list will be closed until the wait time falls below two years. The success rate of this program has recently fallen from about 88 percent to about 45 percent. This change has occurred because tenants have a difficult time finding a place to rent. The vouchers put money directly in the hands of landlords and allows tenants to spend more of their income in the community. Landlords are no longer able to discriminate based on source of income.

The Department of Housing and Urban Development (HUD) dictates Section 8 rent levels based on their survey of the market, which is a couple of years behind. Therefore, HUD rent levels are unable to keep up with an increasing market. Mr. Tierney believed it would be beneficial for City Council to discuss this issue with HUD.

Mr. Johnston explained for Councilor Nemlow how financing would affect tenants in the Uniontown Building. A tax credit project would require tenants to meet income levels. If the building was refinanced as market rate housing through traditional financing, no restrictions would be necessary. Some tax credit programs allow a portion of the building to be rent restricted. Funding sources will often dictate a certain affordability level based on financial projections of the project.

Councilor Herzig asked if City Council would have the flexibility to set affordability levels if the City worked with NOHA. City Manager Estes explained that much of NOHA's funding comes from government sources. The funding source would dictate how affordability levels could be set.

Councilor Herzig believed studio apartments would be a good option for the Uniontown building. Director Cronin noted that the millennials are driving the market so much that micro housing has become financeable.

Ms. Bruce said people come to Clatsop Community Action (CCA) daily looking for affordable housing rental assistance and deposits. Many people are recently divorced, displaced, and/or have children. CCA also deals with the challenges of workforce development. She believed this population should be scattered throughout the community in mixed income developments that are affordable. Otherwise, people could get displaced and stigmatized. CCA tries to help everyone and she believed a balanced approach would develop a better community.

Mr. Tierney said the Low Income Housing Tax Credit (LIHTC) program is the largest funding source available from Oregon Community Housing Services. To participate in the program, income must be below 60 percent of the area's median income. Clatsop County has been overfunded and Astoria has many LIHTC projects, like Mill Pond. LIHTC projects are workforce housing because participants must have jobs in order to participate in the program. Therefore, he recommended the City think about affordable housing as low-end workforce housing. Astoria's housing problems cannot be fixed by adding LIHTC units, so a variety of strategies should be implemented. Remember to count units because doing so may be more beneficial than going after large projects. Sweat equity programs can also benefit the city with new construction and rehabilitation projects.

Councilor Herzig understood that Mr. Tierney and Ms. Bruce were advising the City to be as inclusive and diverse as possible and refrain from narrowly focusing on one population or one type of solution.

Mr. Rickenbach shared details about the Northcoast Builder's Association, noting that the Association's Board recently discussed this issue. There are few opportunities to build and develop in this area, construction costs are rising, and Astoria is one of the toughest jurisdictions to build in because of taxation, zoning, codes, regulations, and laws. He suggested Astoria look to Warrenton for ideas because Warrenton is doing a good job of providing affordable housing. The Association's membership includes one production builder and the rest are general contractors; none are developers.

Director Cronin did not believe there was any way Astoria could compete with Warrenton, where a family can buy a new house for \$225,000. Mr. Rickenbach believed Astoria could compete by changing its taxation structure. Director Cronin said there is a lot of interest in building rental units in Astoria. Mr. Rickenbach added that his company has seen an increase in small residential remodel projects in Astoria. Many of his clients want to add a duplex or a second dwelling, but it is just not possible without a lot of red tape and these projects are usually rejected.

Councilor Herzig noted the survey indicated Astoria's permitting process is too cumbersome. Mr. Rickenbach disagreed. He believed Astoria's City Staff and permitting process was one of the best in the County. General contractors are very happy with the City of Astoria.

Councilor Price said Warrenton has land available for development, but Astoria does not. She referred to an article in the *Portland Mercury* that said tax funded projects cost about \$250,000 per unit, but private funded projects can cost \$70,000 per unit. The cost of tax-funded projects is a result of meeting the requirements of those programs. She asked if the panel members agreed.

Mr. Johnston believed those statistics should be considered carefully. A piece of buildable property in Portland costs more than \$70,000. So, it is important to think about what is included in that price per unit and what subsidies are involved. However, the builder who claimed he could develop a property for \$70,000 is very creative and Astoria should see if his model could be imported.

Director Cronin said the cost of building materials is same in Astoria and Portland. Labor costs and the cost of land are the two biggest variables between the two cities. Publicly subsidized projects over \$750,000 include prevailing wages, which also drives the costs of housing.

Councilor Price asked if there was any way Astoria could encourage private development without giving money. Panel members made the following recommendations:

- Consider infill projects, which could be done by local contractors with a local workforce. Astoria does not have the resources to allow large specialty contractors from the valley to do large projects, like Mill Pond. Councilor Herzig said a vacant building inventory would be very useful for targeting areas for local contractors.
- Consider the development process and look for ways to mitigate the risks developers must take to complete a project. While this housing study does provide developers with some good information about the community and the market, developers would still be concerned about controlling land before spending money on it. The City could help mitigate this risk through community partnerships or a revolving loan fund.
  - Developers spend a minimum of \$300,000 on LIHTC projects before the application is even submitted and there is only a one in three chance of being funded. If a developer has enough funds to last two or three cycles, he will eventually get paid. However, that developer still needs to control the land and spend money. So, helping a developer with that risk will be better for Astoria, even if it is done on a much smaller scale.

Council, Staff, and panel members discussed how zoning restrictions and the permitting process affected ADUs in Astoria. ADU restrictions were implemented in response to the community's outcry that ADUs were not appropriate in neighborhoods. While Staff had not denied any permits for ADUs, the survey indicated people were uncomfortable with historic preservation requirements. Mr. Johnston said he had two ADU projects that were never started because the homeowners were not willing to go through the conditional use permitting process. If some of the code restrictions and permitting process could be relaxed, it will make a big difference when his clients consider projects.

Councilor Price said she would not be comfortable amending the code until the City has quantified what is for sale, dilapidated, and occasionally occupied. The dilapidated could be renovated into units that Astoria is trying to add. The City should also find out the number and sizes of rental units and their prices.

Councilors Herzig and Price asked what was meant by "control the land." Mr. Johnston explained that legally controlling the land could be accomplished by owning it or optioning it in a way that prevents a developer from losing money or wasting time. He told a story about a time when he did not control a piece of property he intended to build on. After raising the money and filing the tax credit application, the County, which was the landowner, just wanted to take his project. Historically, when development has slowed in the past, property owners try to squeeze more out of each of their units. This is the problem Astoria is having now with regard to ADUs. The recession has ended and development is just coming back. He believed Astoria should hold off on ADU work because the code was amended right before the recession. He also believed an inventory of dilapidated homes could provide partnership opportunities. The homes could be rehabilitated and sold to homeowners.

Council, Staff, and panel members discussed derelict buildings in Astoria. Mr. Tierney advised that an inventory be created before considering zone changes. City Manager Estes noted that since the derelict building ordinance was passed in 2011, effective code enforcement has led to several properties being renovated and sold.

- Mr. Rickenbach added that Astoria does not have any bad lots. All of the lots look out over the Columbia River, which is worth a lot of money to outsiders. This is challenge for Astoria because the community wants those lots in the hands of local citizens. As a contractor, he has clients with money who are willing to pay whatever is necessary to own a property in Astoria. Interim Planner Morgan added that outsiders are coming to Astoria, purchasing these diamonds in the rough, and restoring them. While this does clean up the neighborhoods, this does not solve Astoria's housing shortage.
- Mr. Tierney said this presents an opportunity to work with a non-profit. A non-profit could hold on to a property until it can be sold to the next purchaser. While he was not a fan of land trusts, he did believe lending could accomplish something similar to what people have tried to do with land trusts. Land trusts were developed on the premise that the cost of land drives the cost of housing to unaffordable numbers because the costs of construction remain the same. He disagreed and believed construction costs inflate

along with land prices. Controlling land through a land lease would allow the house to be sold to a low-income person. He described the goals, structure of, and issues with land trusts and explained why he believed controlling the land and selling the deed to the house was a better option. Astoria could find a similar way to use lending to keep houses affordable for a fairly long period of time.

- Council and Staff discussed the possibility of turning unused second floor space in downtown into apartments. Staff confirmed very few downtown buildings had space that could be developed. However, the Gunderson building could potentially provide up to about 6 units and the old State Hotel building could provide about 12 units. These spaces should be included in an inventory.

Councilor Nemlowill wanted to know the difference between a revolving loan fund and a community equity fund. Staff defined a revolving loan fund as a City of Astoria fund that provides financial assistance to expanding businesses. Staff gave the history behind the development of the fund in the 1980s, noting its purpose was to incentivize economic development projects. This fund was used to help Dairy Queen expand and to offset the purchase of the Armory Building. Community equity funds can come from various sources. The funds are put into an account that is drawn down. The City can participate in the equity or loan the funds.

Mr. Tierney and City Manager Estes explained how Community Development Block Grant (CDBG) funds and revolving loan funds were used together to fund projects. The Community Action Team has just submitted an application for a CDBG from Columbia County and has requested Astoria approve a letter of support for the project. Funds are granted every two years and the money supports the three-county region.

Mayor LaMear confirmed there were no public comments and asked Staff to recommend next steps.

Director Cronin suggested Mayor LaMear establish a task force to study the housing issue based on the study and comments made at this work session and report back to Council in early 2016.

Ms. Bruce said there were many vacant gas stations in Astoria and asked what the City was doing about Brownfield renovations and making the properties attractive to developers. She suggested Astoria incentivize Blue Ridge and Emerald Heights because they are great properties.

- Staff confirmed that Blue Ridge would be developed. However, the road is owned by the Federal government and the sewer would have to be connected to the City's infrastructure. These are significant issues that need to be figured out before the owner can present a subdivision application to the City. Staff has encouraged the owner to consider more than just single-family units.
- Astoria has a great track record with Brownfield remediation. As long as the vacant gas stations have a Notice of No Further Action from DEQ, the City can work with property owners to develop the properties.

City Council discussed the possibility of creating a task force and agreed that Staff should gather statistics and data about vacancies and derelict buildings before deciding how to move forward. Councilor Warr believed the City should take action with the private sector first by considering zoning changes. Council appreciated the expertise of the panel members and hoped they would be willing to participate in future discussions. Councilor Nemlowill suggested a follow-up work session be scheduled after Council attends the Affordable Housing Tour that is part of the League of Oregon Cities Convention.

Director Cronin appreciated the informal work session format especially when experts participated. He understood what information Council wanted Staff to provide and agreed that Council should direct Staff on next steps after considering the statistics. Council and Staff discussed how the City would proceed with short-term and long-term actions, which included possible zone and code changes and implementing the Buildable Lands Inventory.

Staff explained how the urban growth boundaries limited expansion, noting how difficult it would be to expand into the forested areas. Staff also explained the reason for the recent population growth in Astoria. These issues require long-term solutions, which should be considered as the City works on short-term goals that will help alleviate these problems.

Mr. Tierney summarized the letter of support that the Community Action Team would like Astoria to approve.

**City Council Action:** Motion by Councilor Nemlowill, seconded by Councilor Herzig, to approve the letter of support for a Community Development Block Grant application by Columbia County. Motion approved unanimously. Ayes: Councilors Nemlowill, Warr, Price, Herzig, and Mayor LaMear. Nays: None.

Mayor LaMear invited the public to forward their suggestions to City Council.

**EXECUTIVE SESSION**

**Item 4(a): ORS192.660(2)(i) – Evaluation of Public Officers and Employees**

**ADJOURNMENT**

There being no further business, the special meeting was adjourned at 9:00 pm.

**ATTEST:**



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Finance Director

**APPROVED:**

  
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City Manager