

**MINUTES**  
**City of Newport Planning Commission**  
**Work Session**  
**Newport City Hall Conference Room A**  
**January 9, 2017**  
**6:00 p.m.**

**Planning Commissioners Present:** Jim Patrick, Lee Hardy, Bob Berman, Mike Franklin, and Bill Branigan.

**Planning Commissioners Absent:** Jim Hanselman & Rod Croteau (*excused*).

**PC Citizens Advisory Committee Members Absent:** Bob Heida, Dustin Capri and Karmen Vanderbeck (*excused*).

**Community Members Present:** Janet Webster

**City Staff Present:** Community Development Director (CDD) Derrick Tokos, Associate Planner Rachel Cotton and Executive Assistant Sherri Marineau.

1. **Call to Order.** Chair Patrick called the Planning Commission work session to order at 6:02 p.m.
2. **Unfinished Business.**
- A. **Vertical Housing Tax Incentive Program Part 3.** Cotton opens with comprehensive plan details. The numbers haven't changed drastically since the last time Commission has seen them. Cotton gives feedback of proposed vertical housing development zones. She spoke to a state level administrator and they indicated the City is the eyes and ears for complaints or violations. The City would tip them off and they would follow up. Franklin asks about the far east boundary on the map. It is all C-1 & C-3 zoned and Cotton isn't sure on boundary. It includes all of Road and Driveway and some cemeteries as well. Branigan asks if the City considers adding in a vacation rental prohibition, can they restrict subleasing to a 6-month lease or long term. Lee says this doesn't work here and suggests being more definite. She suggests saying no rentals less than 30 days and have it fully under landlord and tenant. Cotton explains for the long term it would be good to have bus shelters there. A parking study should be done before the beginning of the fiscal year. It looks at off street parking requirements and where it could be relaxed. Form based codes can dictate what the areas should look like rather than restrict. There's always the ability to take out or add tax lots if the program is working or not.

Cotton presents the affordable housing property tax exemption and comprehensive plan details. Cotton explains who is using the program, and what the strengths and weaknesses are. In Portland it was successful in the past. When they put in restrictions, it limited developers using it. In Eugene they have used the program since the late 70's and recently they saw only student housing being developed. The City stepped in and decided student housing would not be a part of their program and put in an independent financial review. Branigan asks about what the problems were in Portland. There were lots of restrictions. One was they capped the program at a million dollars for tax abatement for all projects annually. Also, the cash on cash return annually couldn't exceed 10 percent profit. Cotton thinks Eugene would be more similar to what would work in Newport.

Cotton covers the exemption policy considerations. When you add more exemptions, it creates more limitations on what developers can do. The eligible areas of Portland, Eugene, Salem and Seattle are presented.

Cotton discusses eligible areas in Newport to use for multiple unit tax exemption (Alternative A). Franklin asks about Wolf Tree Resort area zoning. Cotton explains the zoning and points it out on the map. She reminds that the area should be transit oriented. The Commission could determine which tax lots are eligible and exclude hazard zones.

Cotton goes over what Portland's application process. It is very complex and resource intensive. Lee asks why they require their electronic spreadsheet to be live instead of PDF. Cotton says it is so they can play around with the numbers. Lee is concerned that a committee would be able to play around with the numbers on a digital spreadsheet submitted with an application. Cotton says it just helps them with review and is something they do in Eugene. She explains the steps the applicant goes through to get an application approved. In Eugene they have been only one project approved since they took away student housing. Cotton talks about what the fees cover. Projects are all looked at individually. They look for comparable projects, if it is realistic in the geography, and test assumptions. Hardy asks if higher fees are included in the calculation for the cash on cash return. Cotton isn't sure and thinks it is a good thing to find out. Franklin asks if the costs would be higher in Newport since it is more remote than Eugene. Tokos says there are 4-5 firms doing this and the City could get bids on who does it. Berman asks what the purpose of the annual review is and if exemption

could be revoked if they don't pass the review. Cotton says the annual review is about the program not the project. If there are compliance requirements, there would have to be an annual review. Cotton goes over Seattle's process. They mandate a certain percentage of affordable housing and it is extremely successful. They are seeing a lot of housing development and have a healthy market. Cotton notes that in Portland, there is a \$16,000 fee to just participate in the program and more expensive than Seattle.

Cotton discusses the required financial review. The review provides a metric for qualifying for program and gives evidence. Cotton discusses a memo she received from Eugene and states she can share it with the Commission if interested.

Eligibility criteria is discussed for all jurisdictions. Salem has the least requirements. Their jurisdiction hasn't been that successful because there isn't a high demand for multi-family development in downtown. It's not limited to new construction but can apply to rehab projects with the tax abatements being extended to any improvements on the property. If you are doing a rehab you have to add a certain number of units to the overall unit count.

Cotton explains mandatory affordable housing. Over 25,000 units have been constructed because of this program and twenty-six percent have been income restrictive and highly successful. She recommends avoiding hazard zones to be consistent. Also, a simplified application and eligibility process including a third party financial review would be the way to go. She says without requiring a specific percentage of units being affordable housing, it is hard to incentivize and should be a requirement. One option is having an in lieu fee appropriately scaled. The proven benefit in the case of requiring affordable housing directly correlates.

Branigan asks how many units Salem has. A few hundred for the last project and we are talking about larger scale projects. The Eugene numbers have only been student housing as a result of the program. Since changing this they have only had one project approved.

Cotton asks Commissioners what areas they are thinking of for the program. Patrick thinks it doesn't make sense to add it in R-1 & R-2. It should be R-2 & R-3, except for the Wolf Tree Resort area. This leaves the City with the Wilder development. South Beach is excluded. Patrick asks if the area in Nye Beach will be a part of it. Yes. Webster asks about access to City services. Tokos explains the exemptions are on the structural improvements and are the nature of the exemption. Property taxes would be a reduced rate and SDCs would be collected. Cotton says an SDC study is in the works and is an option for abatement. Tokos explains what is included in construction costs and services are factored in. Cotton says one way to think about it is in some cases it is cost prohibitive to do projects and this is one way to decrease developer's costs. The 10-year period allows the projects to become profitable and helps with uncertainty.

Cotton likes the idea of having an independent consultant for the application process. In Eugene they say every case has someone questioning the validity and this is a way to do our due diligence. Patrick thinks it is a good idea. Hardy says the objective third party is a big benefit. Patrick asks how many units are being discussed. You may get some in the 20-40 range but it will probably be 4-units. Tokos explain how rehabbing units will make people want to stay there. It is a big plus to offer this program for rehabs.

Patrick asks about the units over the Mazatlán restaurant. If they used the rehab program would they count as new units since they haven't been used in over 20 years. Tokos says the positives on focusing on rehab is though they are not new units, if modernized people will want to stay there. If we can provide an incentive through a program like this for existing units that need to be rehabbed, it is a big plus. Patrick likes the rehab program. The City is limited to R-3/R-4 zones and asks if the City wants to do this for commercial. Tokos thinks this is a good idea and it could overlap with vertical housing. Webster asks if doing vertical housing, are you only eligible for vertical tax abatement or can you do other programs. Tokos doesn't see any reason why they couldn't do more than one available program. Cotton says it could be mixed-use and require a certain density of units or not. It may be a good idea to keep it open to a developer and what they want. Patrick thinks it is good to have the developers choose.

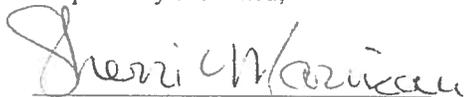
Franklin asks if parking is the biggest issue in downtown when talking about places to live. Tokos explains that it isn't but the transportation network is a bigger issue. Tokos says the general consensus that a third party review is key and it should be held at an affordable rate. Webster asks about vacation rentals. Patrick explains they would be exempt along with hotels. Hardy asks if Cotton has thought about talking to developers to ask them about return on investment. Yes. Hardy says return of investment is different than return on investment and can be confusing. Cotton says it could be included in the developer's consideration. From looking around, if it is a new development, it tends to be expensive. If you are requiring that a certain percentage of units be affordable, you are insuring that as the community grows, you are maintaining a certain number of units. If it is a fee, it can sometimes get complicated later. Patrick asks if this and the affordable unit program are both 10-year programs. Yes. Someone would have to track this and is included in the annual review.

Berman asks about approval process and if the criteria is objective enough in terms of developers being turned down and being able to apply again. Tokos explains this is Eugene's process. Berman is concerned about developers coming in and there may or may not be approval at the end. After they put resources into applying, there could be a potential for lawsuits if they are not approved. Patrick thinks if it is handed off to a third party, the City should skip most of the flow chart and if it passes independent review, it is approved. Tokos explains that the City has the ability to set up a discretionary process with a third party involved. You say the rate of return cannot exceed a certain amount. You can set thresholds or leave it open. If open, that means it could be different for each one and someone will have to make a judgement call as to whether or not it is reasonable. Patrick asks if we are keeping that they have to pencil out as a requirement. Cotton explains that is a state requirement. Tokos says it also helps if the third party reviewer is with the City. Hardy feels it would not be an objective review; they would have a vested interest in the City. She feels it would be better if they were not affiliated. Patrick says someone has to pay for their services and the City would be the one getting the service. That's who they would work for. Franklin thinks it is better to have the third party go through the City. Tokos explains the third party could be on a retainer. Patrick thinks the City could do it on a retainer and could be based on the number of unit. Tokos says looking at what the third party reviewer did we can and should standardize a list of what goes into the reports. Patrick says for a duplex your fee could be more than an exemption. Cotton says that could cancel it out. Patrick thinks it won't make sense if it is 20%. Berman asks if the City should require the affordability aspect. It doesn't have to be. Cotton cautions that Portland is different from Newport. For a new studio it would be \$2,100 and income restrictive units would be \$900. If they didn't require income restrictive all units would have been \$2,100 studios. Hardy says when you have a lot of overpriced, unoccupied units the price goes down. Cotton says if the thought is to require a certain number of income restrictive units, the same percentage of unit types that are market rate would have to be comparable. Cotton says 20% seems to be a minimum.

Berman asks what Cotton needs now. Cotton wants to know if the Commission wants to require affordable housing. Franklin doesn't think so. Patrick says if we don't require it, we should have a public option included somewhere in it. Cotton says you have to define what the public benefit is and add different requirements such as building standards, labor standards, rehabs, or sidewalks. Patrick suggests a menu with affordable being something they can choose. Tokos says the City is not meeting our numbers now in terms of the number of units we need in our community. Patrick says our number is 42 and we are getting close at 30 now. Only half of the units have people in them and if you count them as pertinent, it doesn't work. Tokos says on the rehab side we have it well documented that we have it as part of our housing inventory and they are too dated. Franklin doesn't like the fact that someone with a rundown apartment could come in and fix the outside but not inside. Patrick says it would be more likely that they would rehab the inside and not the outside. This will get tenants. Cotton asks if developers are rehabbing deteriorating buildings and the rents are going up, what happens to those who are living there because it is run down and affordable. It could mean displacing low income renters. Hardy asks how Cotton factored the number of people needing affordable housing in Newport. Cotton looked at a lot of numbers and her own personal experience of finding affordable housing. Hardy says it is more about the credibility of individuals seeking housing. Cotton says as a renter herself, she has looked at what is available and what people can afford. Tokos says we can bring forward an option with or without affordability. Patrick thinks affordability works better with a bigger project. Tokos says we can set it up that if a project is a certain size it has to include it and would make sense. Berman asks if you can make a distinction between rehab and new construction. Cotton says if you don't say a rehab project has to have an increased in the number of units, you would require 20% affordability. Webster says rehab should have ADA as a requirement. Franklin points out that during rehab you are taking the unit out of the rental pool for as long as it takes them to remodel. Cotton says in other cities they say the property cannot have been active within the past year. It may not work in some of the cases we are talking about. Branigan would like to extend it into commercial zones. The Commissioners agree.

3. **New Business.** No new business.
4. **Adjournment.** Having no further discussion, the meeting adjourned at 7:02 p.m.

Respectfully submitted,



Sherri Marineau,  
Executive Assistant