

**HOUSING ADVISORY COMMITTEE**  
**Meeting Minutes – May 20, 2022 at 9:00 AM**

**Committee Members**

Doug Walker – Chair  
Tom Bradbeer - Vice Chair  
Di Bradley (Absent)  
Loree Arthur  
Duward Brown (Absent)  
Steve Gulliford  
Jason Elzy (Absent)  
Sam Engel  
Darin Fowler  
Tammy D’Amico (Late)  
Kathleen Foster (Absent)  
Ralph “JR” Wheeler (Absent)

**Staff/Council Liaisons:**

Brian DeLaGrange – Council Liaison  
Amber Neeck – Housing and Neighborhood Specialist

**Guests:**

Bill Lovelace  
Valerie Lovelace

1. **Roll Call:**
  - a. Chair Walker opened the meeting at 9:05 am and took roll.
2. **Introductions:**
3. **Public Comment:** (opportunity for citizens to share information with the committee regarding items that are not on the agenda)
  - a. None
4. **Consent Agenda:**
  - a. Minutes: April 15, 2022

**MOTION/VOTE**

**Member Bradbeer moved, and Member Engel seconded the motion to approve the minutes from April 15, 2022. The vote resulted as follows: “AYES”: Chair Walker, Vice Chair Bradbeer, Members Arthur, Gulliford, Engel, Fowler, and D’Amico. “NAYS”: None. Abstain: None. Absent: Members Bradley, Brown, Elzy, Foster, and Wheeler. The motion passed.**

5. **Action Items:**
  - a. Past Housing Production Check In
  - b. Density Bonuses
    - Density Bonus Overview
      - Developers serve as the primary drivers of the development process, typically initiating land development. The developer is in the business of managing risk - evaluating the probable financial return on a project in light of the level of risk they will assume. The market is the customer or end-user in the development process and will largely dictate to the developer what is marketable and how much users will pay for it. Government agencies typically define the legal and bureaucratic process under which entitlements are granted and can influence the marketplace through incentives or restrictions.
      - Development typically occurs when the development of an allowed use yields an adequate return to attract a developer and equity source. The final development form will typically represent what is viewed as the “highest and best use” of the property from the development perspective,

- which reflects the development type and timing yielding the greatest return.
- Higher-density development often requires changes in construction type, which can yield higher costs per unit. In the case of both office and residential development, low-rise wood-frame construction represents the lowest cost per square foot. As densities rise, leading to taller buildings, construction shifts to concrete and steel, bringing higher costs.
  - The density of development that produces the highest and best use on a given site is influenced by achievable rent (or sale) levels. Where achievable rent is relatively low, low-rise development will provide the best return.
  - For the purposes of this analysis, it is important to keep in mind that once the rent threshold is passed requiring a more expensive construction type, it is beneficial to the developer to maximize the density possible with that construction type.
  - A density bonus is an incentive-based tool that permits a developer to increase the maximum allowable dwelling units per acre, floor area ratio, and/or height which generally means that more housing units can be built on any given site.
  - Typically, programs allow increases of between 10 percent and 20 percent over baseline permitted density in exchange for the provision of affordable housing.
  - Bonuses Work best where development is at full capacity.
    - a. Regulatory entitlements such as permitted FAR or height are important in influencing development form and design, and ultimately land values.
  - Code standards do not ultimately determine where and how development takes place
    - a. For instance, many of Grants Pass lots zoned for increased density are still developed well under max density.
    - b. As achievable rents and sales prices climb, bonus programs become more attractive.
  - A robust affordable housing density bonus program must be:
    - a. Calibrated to market realities
    - b. Compatible with neighborhood context
    - c. Easy to read and understand
  - Approach to Bonuses
    - While higher density buildings can add value to a real estate project, these buildings cost more to build – sometimes much more. Even if the added income of having more on-site units is more than the cost to build higher, increasing the allowable density may not automatically add enough value to offset the cost of providing affordable housing.
    - Allowing developers to choose from multiple incentives to meet their project helps to fit the unique needs of each development.
  - Examples of Density Bonus Incentives
    - Permitting a larger number of units in a building or development site.
    - Permitting smaller minimum lot sizes in a development.
    - Providing a bonus height allowance or exemption from height restrictions that allow for construction of additional stories.
    - Reducing the amount of open space required on a development site.
    - Reducing the required number of parking spaces.
    - Setback reduction of the parent parcel
  - Types of Bonuses
    - Housing Bonus
      - a. This category includes those bonuses in which the public benefit being sought is Affordable housing, Accessible Housing or Middle-Income Owner-Occupied Housing.
    - Specified Use Bonus

- a. This category includes those bonuses in which the public benefit being sought is a particular use to be included in the project by the developer.
    - i. Day Care
    - ii. Retail Use
    - iii. Grocery Store
- o Open Space Bonus
  - a. This Category includes bonuses which are granted in return for developing open space for public use. The cost to the developer is the construction and upkeep of open space features. Some land is lost as it is made public, but the value of this land is recouped through chosen bonus/s
    - i. Parks
    - ii. Trails
    - iii. Percentage bonuses
      - 1. Art
      - 2. Water features/public fountain
- o Design Specific Bonus
  - a. This category includes bonuses which are earned by providing a standard building component to a different design or performance specification. The cost of the bonus is the additional cost that might result from constructing the component to a different standard than one otherwise would.
    - i. Eco-roof
    - ii. Below Grade Parking
- o Automatic Density Bonus
  - a. This category includes specific bonuses which are automatically available to developments in specific areas identified as in need of higher density housing.
    - i. Urban Renewal Area
    - ii. Vertical Housing Tax Zone
- o Examples of Bonuses
  - a. Bend, OR
    - i. Density Bonus:
      - 1. Projects that are providing up to 50% of the units as affordable (targeting 80% of Area Median Income for ownership projects, 60% of AMI for rental projects) are allowed to go to 1.5 of the base density for that zone. It has a decreasing scale of 1.4 for 40% affordable, 1.3 for 30%, etc.
    - ii. Parking Bonus
      - 1. For all multi-family developments at 60% AMI or under, requirement is 1 space per unit instead of 1.5.
  - b. Beaverton, OR
    - i. Open Space Bonus:
      - 1. Up to a 50 percent reduction in the required amount of open space as approved by the planning commission may be achieved by the development of 10 percent of the units as affordable housing. Up to 60 percent reduction may be achieved by the development of 20 percent of the units as affordable housing.
        - a. Affordable housing is defined as housing affordable to households earning up to 100 percent of the median household income in Washington County, or less as adjusted for family size as determined by the U.S. Department of Housing and Urban

Development (HUD). Housing prices and/or rents shall be limited to that level through deed restriction for up to thirty (30) years. Approval of the affordable housing Development Incentive Option shall be subject to a developer identifying and contracting with a public, or private housing agency that will administer the housing affordability guarantee.

- Are Density Bonuses Always Valuable?
  - a. While higher density buildings can add value to a real estate project, these buildings cost more to build – sometimes much more. Even if the added income of having more on-site units is more than the cost to build higher, increasing the allowable density may not automatically add enough value to offset the cost of providing affordable housing.
- Next Steps
  - a. Meet with our development community
    - i. What incentives would be most beneficial
    - ii. Incentive benefits vs. cost increase to development
  - b. Fine tune details about program
- c. Bill Lovelace – Funding Low-Income Housing Developments
  - Building/Development History of Bill Lovelace
    - Worked for Kellenbeck Construction:
      - a. 1970-1984
      - b. Built single family and multifamily
    - Founded Wm. Lovelace Construction INC in 1985
      - a. Built 300 homes in Southern Oregon
    - Formed Lovelace Development LLC
      - a. Built a total of 2000 units of Rural Development, HUD, and conventional multifamily projects
      - b. Locations include Grants Pass, Ashland, Roseburg, Cottage Grove, Lebanon, Hood River, The Dalles, Madras, Redmond, Astoria, Seaside, Cannon Beach, Newport, Lincoln City, Florence, Coos Bay, Bandon, Brookings, Tillamook, and McMinnville.
    - Public Service
      - a. Josephine County Homebuilders Board for 20 years
      - b. Oregon state homebuilders board of directors for 10 years
      - c. Vice chairman of multi-family committee at national level for subsidized rental housing programs
      - d. National association of home builders board for 6 years
      - e. Helped to start the Oregon chapter of Council for Affordable Rural Housing in 1990, which merged with Affordable Housing Management Association in 2000
        - i. Vice chair for 9 years
      - f. Inducted into Oregon’s Building Industry Hall of Fame in 2002 for work in low-income housing
    - How Does Affordable Housing Happen?
      - a. Affordable Housing requires a combination of many different funding sources to fund
        - i. Federal funds
        - ii. State Funds
        - iii. Local Funds
        - iv. Affordable Housing Development Programs
        - v. Rental Assistance Programs
        - vi. Investors
    - Why is Affordable Housing so Expensive?

- a. Development costs a lot of money before there is any return on investment
- b. For loans, a developer must prove the development will produce enough revenue to pay back loans AND give a return to investors
- c. Size of loan based on future rent a building is expected to bring in for income
- d. Size of loan a bank will make depends on Net Operating Income (NOI)
  - i. NOI is the amount of money a project expects to bring in from rent AFTER accounting for operating expenses, interest costs and cash flow
  - ii. Affordable housing requires large subsidies
- o Source of Funds for Ramsey Project
  - a. Federal
    - i. Low Income Housing Tax Credit (LIHTC)
      - 1. Indirect subsidy provides incentive to private investors. They receive dollar to dollar reduction in federal tax liability
      - 2. Investors receive credit for 10 years. Must remain affordable for at least 30 years
      - 3. Program has been available since 1986
        - a. Created 3 million units over 45,000 projects
  - b. State
    - i. Local Innovation and Fast Track Program (LIFT) Sale of Article XI-Q Bonds, Legislative
      - 1. Oregon Housing and Community Services is seeking application for new construction of affordable, multifamily units serving at or below 60% AMI
      - 2. Highly competitive in our category. Rural communities set aside is \$30,350,000
      - 3. Total requests are \$127,663,934, with 1 in 4 projects being chosen.
  - c. Local
    - i. City loaned 50% of land cost back to developer
    - ii. Josephine County Housing authority dedicated 40 section 8 vouchers to the project to reach a deeper affordability level. This is a federal program, administered through the state by local authorities meant to guarantee affordability for the project over time.
- o Hard/Soft Costs of Building
  - a. These costs are often determined by market forces
    - i. Materials/Labor
    - ii. Developer Fees
      - 1. Costs of doing business includes hiring staff, office expenses, finding and building new opportunities, design fees, legal reviews, insurance/bonding
    - iii. Other soft costs include:
      - 1. Architect/Engineering costs, environmental studies, SDC and permit fees
      - 2. Reserve contingencies
- o Future Operating Costs
  - a. Project management costs
    - i. Includes service costs involving fair housing and supportive housing
    - ii. On site management
    - iii. Verification of income

- b. Maintenance Costs
      - i. Inspection costs for sprinklers and elevators
      - ii. Standby water costs
      - iii. Landscaping
    - o Steps Involved in the Process
      - a. Site selection requirements
        - i. Close to medical, grocery stores, schools, and other services
        - ii. Transit alternatives or short walking distances mandatory
      - o Building Partnerships for Ramsey Property
        - a. Building strong local partnerships helps to increase competitiveness
          - i. Chrisman Development from Enterprise, OR
          - ii. Architect/Engineer, as well as General Contractor, Ausland Group
          - iii. City of Grants Pass loan provider
          - iv. Evergreen Federal Bank if extra loan is needed. Below market rate loans can be provided if qualified. They receive tax credit and get credit towards community reinvestment act requirements
      - o Making the Project Competitive
        - a. Project has been combined with two other sites in Phoenix. The combination of the three projects is named Bear Creek Apartments.
          - i. These two projects (160 units) are replacement projects from the Alameda fire.
          - ii. A memorandum of understanding (MOU) has been set up between Chrisman Development Inc., Trinity Development Alliance, a service provider, and Viridian Management, Inc., a Property Management company. The purpose is to help households achieve and maintain housing stability.
          - iii. ACCESS Community Action Agency of Jackson County also signed an MOU to provide bilingual and multicultural services and enhance Affirmative Fair Housing Market outreach to the greater Latino community and other underrepresented communities of color.
      - o Looking to the Future
        - a. Federal and state funded projects, HUD, LIFT, LIHTC, come with Deed restrictions already in place
        - b. Other affordable housing options will require some sort of deed restriction to insure they are affordable for 30 years or more (Duplexes, triplexes, and other multifamily projects)
        - c. The job of making sure tenants are income eligible is big and will require 3<sup>rd</sup> party verification
      - o What Can be Done?
        - a. Make more land available for large multifamily projects
        - b. Building codes and rate fee increases drive up the cost of multifamily housing. The costs of new regulations end of being passed on in rents, reassess the necessity of the many inspections and requirements that add cost and labor to providing affordable housing.
- d. Discussion on adding a new categorized position to the Housing Advisory Committee for "Local Builder"
  - Council has requested the Housing Advisory Committee's recommendation on potentially adding a new committee seat for an active local builder or developer.

## MOTION/VOTE

Member Engel moved, and Member Gulliford seconded the motion to recommend council create an additional Housing Advisory Committee seat designated for an active local builder or developer. The vote resulted as follows: “AYES”: Chair Walker, Vice Chair Bradbeer, Members Arthur, Gulliford, Engel, Fowler, and D’Amico. “NAYS”: None. Abstain: None. Absent: Members Bradley, Brown, Elzy, Foster, and Wheeler. The motion passed.

### 6. Matters from Committee Members and Staff:

- a. Allenwood property status update
- b. Housing Needs Analysis Comprehensive Plan amendment update
- c. Housing Production Strategy subcommittee meeting
  - June 3<sup>rd</sup>
- d. Middle Housing Code text amendment
  - City Council on June 15<sup>th</sup>

### 7. Future Agenda Building for Next Meeting:

- a. Seeking legal guidance on vertical housing tax credit/City developed low-income tax credit
- b. Resources to start implementing Housing Production Strategies
- c. Raising maximum height limit
- d. ADU definition clarification in development code
- e. Cave Junction development information – David Garcia

### 8. Adjournment

- a. Chair Walker adjourned the meeting at 10:37 am.

**Next scheduled meeting: June 17, 2022, in the City Council Chambers.**

Minutes prepared by Amber Neeck, City of Grants Pass Community Development.