

CITY OF YACHATS
CITY COUNCIL WORK SESSION
October 11, 2016
Minutes

The work session of the City Council was called to order by Mayor Ron Brean at 9:30 a.m. in the Civic Meeting Room. Council members present: Greg Scott, Max Glenn and Barbara Frye were present. Sandy Dunn attended via telephone. Also present: City Administrator Joan Davies; Code Enforcement Officer Don Niskanen; Water Department Lead Rick McClung. Audience: 9.

I. Mayor Transition/Council Goals

Discussion resumed regarding the transition of duties, council goals and clarifying for new members what the Mayor, Council President, Council and City Administrator are responsible for and aspiring to accomplish. Mayor Brean pointed out that an issue today was a good example. A liquor license application can come to the City in three different forms; a new business selling liquor needs to come before the Council; an established business selling alcohol off-site, as well as a business selling alcohol on City property, can now have temporary applications approved by the City Administrator. He also reminded the Council that they want to look at the commissions and committees and see if their goals have been met, if they need to continue as they currently are, or if some changes need to be made, such as combining a couple of them, or ending the assignments for one or two.

Councilor Sandy Dunn suggested a matrix or list of actions for those administrative, judicial and legislative duties, and noted that the Council had asked years ago for desk manuals for City Hall, as well. There was general discussion about the duties set by the City Charter, staff job descriptions and existing contracts. It was decided to hold a special meeting at 10am on Friday, Oct. 14 to work on it.

Mayor Brean suggested maybe they should consider having the work session on a Tuesday all the time, as this afforded access to the City Planner, and would take some of the load off of Mondays.

II. Continued Discussion: Hwy 101 Project

City Planner Larry Lewis reported that the project got a slow start, but is pretty much on schedule. There were a couple of rights-of-way issues that needed attention in the Hwy 101 Project. "Slivers" of right-of-way are needed to be accessed at Toppers and the C&K Plaza, in order to construct sidewalks and complete parking spaces. At C&K, they would lose the addition of four new parallel spaces out front, if they didn't give the easement, so it benefits them as much as the project. He has talked to both property owners in the past, and they were very receptive to the acquisition. The space will have a better grade and new pavement. Councilor Max Glenn asked if the change to the C&K parking lot would require trucks to pull into the highway to access the loading dock. The planner said the trucks will be able to pull in off W. 2nd Street, or pull into the main parking lot and back up, and the Mayor agreed. Gerald Stanley pointed out that the grocery trucks pull into the highway as it is now, to back up to the loading dock.

Councilor Glenn said there has been quite a discussion by opponents of the project on Facebook, and they have suggested that if a massive overrun can be caused (by delaying the progress of the project), the new mayor coming on in January can cancel the project, somehow. He said he has told many of them that is not true or possible, and that the contract has been signed, but there is still chatter.

III. Continued Discussion: Vacation Rentals

As part of the continuing discussion about vacation rentals and how to measure their effect on the community, Mayor Brean had put together a spread sheet for the Council to consider. Councilor Scott said the water consumption export won't be done until November, Councilor Dunn suggested tax

1 payments to correlate with the water consumption, and City Administrator Joan Davies asked if they had
2 ever considered a moratorium on vacation rental licenses, until they could get a better idea of what they
3 were dealing with. Councilor Scott said just bringing that up might spur more applications, because it
4 has in the past, when speculators were concerned about getting a license for a specific property.

5
6 Mayor Brean said the density is telling, and it is character-changing for neighborhoods. He said the 16
7 per cent it shows in one spot is not necessarily a big deal, but they are not evenly distributed. Some
8 communities require a certain amount of space between vacation rentals. Whatever the Council
9 decides, they will have to go through a transition of some sort. The smaller neighborhoods are at 38 per
10 cent. They might consider not issuing any new licenses in a specific neighborhood until the number of
11 licenses held drops below a certain percentage. Not every neighborhood is as desirable as the others.

12
13 Councilor Scott said there will be significant ramifications to be considered from any decision. Housing
14 prices along the ocean edge have appreciated dramatically. He would be concerned about a lawsuit of
15 our own creation. Ocean roads represent a unique zoning, sort of a special economic zone. It is not
16 desirable for the full-time residents, who don't want to live on the ocean's edge, and it is too expensive
17 for many buyers. The planner has a definition of neighborhoods, and the information is already in the
18 database. Since all neighborhoods are not created equally, maybe they should not be treated equally.

19
20 Councilor Dunn suggested that whatever is put into effect, the Council should make it a "test" – footage,
21 percentage, etc. Let licenses keep being issued, examine the subject monthly, develop a track record of
22 what was good because it caused no harm, or what was bad because there was an impact. Ease into
23 the final outcome with a pilot program. Mayor Brean agreed, adding that they could run several
24 scenarios – what if "x" was in place, this would happen; what if "y" was removed, this would happen.
25 Councilor Glenn said that the use should not affect the character of a neighborhood, but Councilor Frye
26 interjected that it has already happened and something needs to be done now. Mayor Brean will try
27 putting together "what if" scenarios. Councilor Frye suggested the water usage would be a good
28 reflection.

29
30 Councilor Scott suspects that some vacation rentals are occurring off the books. In November, we will
31 have almost four years of consumption. Fran Morris reported she bought a house at the end of Shell St
32 in 2000. The first five years it went from full-time to a transient rental. It changed from friendly to
33 threatening. People were walking through her property to the ocean. She encouraged the Council to
34 do something now. Mayor Brean agreed it is time to take action. There are tentacles attached to the
35 next issue.

36 37 38 **IV. Continued Discussion: Affordable Housing**

39
40 Discussion to use the vacation rental issue as part of the picture of backing the worker friendly housing.
41 The issue is statewide. We need to put together a lengthy tome of things to do, some we haven't done.
42 Not all sources are identified. We are not looking for a motion on it this week. City Administrator Joan
43 Davies and City Planner Larry Lewis can hopefully correlate information on what other cities are doing
44 already.

45
46 Councilor Glenn has spent ten years involved in affordable housing. The first meeting with YYFAP
47 included discussion about the need for housing. The Housing Commission grew and Gerald Stanley is
48 on the Commission. Mayor Brean asked that City Administrator Joan Davies represent the City of
49 Yachats in the county-wide meetings. The land trust has a model and City Administrator Joan Davies is
50 already on that Board. City Administrator Joan Davies is very much involved with Layne Morrill on
51 Fisteria. There was heated discussion with Councilor Scott as there is no way low income impact as it
52 didn't turn out as intended. Councilor Scott is very disappointed and feels we have learned lessons. He

1 met with Layne Morrill twice and attended Chamber meetings. He was shocked by lack of positive
2 response from employers. There was good discussion after the meeting and even more was revealed.
3

4 City Administrator Joan Davies was asked to have Tom Lauritzen analyze, especially the allegations
5 about misuse of SDC funds. Tom's not here right now. Fran Morris was asked to share her find,
6 especially in terms of HUD as it will be helpful. Fran Morris is very pleased with part of Tom Lauritzen's
7 recommendation. Linda Hetzler voiced her concern. It was agreed that no action would be taken today
8 but emphasis on the number of tools and methods needed to accomplish the goal. Linda Hetzler and
9 Bev Wilson have been researching alternatives to housing.

10
11 Layne Morrill made a case in writing to let everyone read and react. He didn't mean to offend anyone,
12 but he had 15 drafts and notes we have a crisis. He talked to ten of the largest employers and tents,
13 rusted out trailers are being used for housing and it is heartbreaking. In part, this was created by our
14 workers in the restaurant and hotel industry. It doesn't say much about the value of diversity if we do
15 nothing about trying to house them. This is wrong and needs to be addressed. It's a good opportunity
16 to separate the issue of the particular project I'm pursuing. Two recommendations for the City: remove
17 barriers, encourage the creation of work force housing definition of qualified housing. The preference is
18 for approval by HUD for people employed or with offer of employment in Yachats. Fisteria is not the
19 same. Lane County was a partner and wouldn't do that. Only if the work force employee were first to
20 apply, then the County would be required to give it to the first qualified applicant. If the first 24
21 applicants had been workers, they would have had units. They didn't get their application in first. Still
22 had to maintain a waiting list, but can have "P" by name or nothing. If no "P", then top twenty don't have
23 to be elevated and can rent to those with a "P". Totally different from FG apartments at Aqua Vista
24 Square as it is a private non-profit facility almost exclusively rented to workers in Yachats. Both of
25 Layne Morrill's proposals have a Yachats preference. First, the SDC's are regressive. If he's going to
26 build \$750,000 on the hill, he would pay \$12,000 to the City. If he builds a \$100,000 cottage, then he
27 would \$12,000. If trying to build affordable housing, the SDC percentage is higher and it's not fair or
28 right. It is not related to the magnitude of development on the property. We should ask the developer of
29 affordable housing to defer the SDC for whatever period the property will be income restricted by deed.
30 If restricted for ten year, then the SDC is due in ten years. Several other cities have totally exempted
31 the SDC's: Portland, Eugene, Salem and maybe two others. Ashland (possibly) has consistently
32 allowed deferment to make it easier for affordable housing to be feasible due to not having the up-front
33 cost when housing reverts to market level. Secondly, the City enacted CET that legislation recently
34 allowed, provided it's dedicated to affordable housing which included draft ordinances. It was modeled
35 95% after August 1 ordinance in Portland. They are bigger but the elements of tax are the same. One
36 of the needs of affordable housing is dedicated to workers with lower than 60% of the median income.

37
38 OHCS sets the maximum rental rate that can be charged. There aren't artificial limits on costs and
39 restricted rents, but has full construction costs. The concern is how to you make it feasible for investors.
40 CET would come in regularly. There are housing subsidies which help them get the expense down.
41 Mayor Brean asked for clarification on OHCS and it stands for Oregon Housing & Community Services.
42 It administers funding like LIKT for new, rural, housing.

43 44 45 **V. Continued Discussion: Proposed construction excise tax-Layne Morrill** 46

47 Mayor Brean discussed the excise tax and wondered if it could be used to compensate for deferral of
48 the SDC as it cost the same no matter the size of the house. Lane Morrill said that 15% has to go to
49 CHCS and 85% of the tax proceeds from residential construction. 50% is dedicated to incentives for
50 developers and 35% "other purposes related to affordable housing". He believes it could be built into
51 the system as a part. The need for the subsidy operating expenses has to show it is financially feasible.
52 It could say some to expense subsidies, some to SDC fund with credit to the developer. Mayor Brean
53 said the specific proposal has a lot of moving parts. Part of it looks like support of employers. Councilor

1 Glenn said half of it is for employers and the other half their employees. This wouldn't fit the
2 requirement. You have to sign a one year lease, not FT. Plus, FT doesn't meet the money
3 requirement.
4

5 Layne Morrill said 8% of motel employees earn less than 60% of median income. The Overleaf and
6 Fireside motels both have 30 full-time employees. Sea Air has 35 full-time employees. The Adobe has
7 50 full-time employees. A lot of the restaurant employees earn more money. Some at Aqua Vista (80%
8 and under) are servers who get gratuities. They could qualify for under 60% median income. Is there a
9 need? Absolutely, just not for restaurant workers and gratuities.
10

11 Mayor Brean said this is a take-off on old company town, but not a lone employer situation.
12

13 Layne Morrill said he talked to Drew, Gordon, and Shirley and said they were very responsive to helping
14 a new employee get decent, safe housing as this is an employer problem. If they can't see that, they
15 are short-sighted. At the Chamber meeting, it was said that you're a developer, don't give me "non-
16 prof". You have investors who own land and will get some of their money back. Developers don't
17 develop without profit as a motive. We need Density-""-. I'm a developer with a 22 acre planned
18 development which will allow us to achieve a certain density on flat property near 101 which has far less
19 density than on a hillside. No other place in Yachats with even a two year timeline, that you could have
20 another development. Mayor Brean asked if 21 was a magic figure. Layne Morrill said it is not a
21 requirement. Just to make housing less expensive and get more bang for the buck. It is in law, but
22 doesn't relate to this project. If FORCE developer to include alternative, could require unless it's 20
23 units or more. You're not forcing me. The need is there. To people in the middle of it, it is very
24 personal, emotion, and a human need. Even if I wanted to do it on different land, I couldn't. LIFT
25 requires 30 month completion. Because we can complete the project in 15 months, I can get 17 out of
26 20 points. I can get leased up within 30 months and no one else can. I am willing to tweak the plan to
27 your satisfaction as the community needs the housing. The application to OCHS for LIFT funding is due
28 10/31/16. They will review the applications during November and score them in December. The
29 winners will be announced in January with the funding being available in February. It would be helpful
30 to have this on the fast track but I understand the need for the City to be deliberate.
31

32 Councilor Dunn said this issue is hot and cold. We need it. Can we guarantee it? Does the Planning
33 Commission approve of the plan?
34

35 Layne Morrill said that on 9/20/16, the Planning Commission approved the density change and gave up
36 five units on the hillside. Councilor Dunn said that it now has to do with the SDC's and CET. Layne
37 Morrill asked for approval to modify the plan. Councilor Scott asked if we voted. Mayor Brean
38 responded that we wouldn't. Layne Morrill stated the appeal period has expired. The Council has no
39 jurisdiction. Councilor Dunn asked why the new development doesn't look like Fisteria Gardens?
40 Layne Morrill responded that it is part of the federal look but the employees didn't like the "apartment"
41 look of the new townhouse units. Each unit has its own lot so they are sellable separately. They don't
42 share exterior walls and there is one space in between. This permits separate sales of each unit to
43 tenants as affordable housing. Councilor Dunn asked if this was be like Vista? Layne Morrill responded
44 that not totally as they have to be rental units for 15 years and then can be sold. Councilor Dunn asked
45 if it was 15 or 30 years for the SDC deferral and Layne Morrill clarified that it was a 30 year affordability
46 period and then changes to perpetual. Councilor Dunn asked what happens if you live in the unit for
47 two years and then get a raise that puts you above the 60% threshold. Layne Morrill clarified that the
48 state requires the person be allowed to stay in the unit. Councilor Dunn asked if it would be a 12 month
49 lease? Layne Morrill said it is required due to tax credit protection. Councilor Dunn asked if many
50 would be leary of signing a one year lease due to turnover and the fear of maybe getting fired. They
51 might not like to sign a one year lease. Layne Morrill said there has been one or two reluctant to sign
52 the one year lease, but the low rent is guaranteed. Councilor Dunn asked what the turnover rate is for
53 Fisteria Garden as there are moving vans there frequently. Layne Morrill responded that he only knows

1 what he's told. There is was a two year backlog and in the preceding 12 months, five tenants have
2 moved. Drew Rosh had some, Sea Air had some who got in. They could have gotten the corner on the
3 market. Councilor Dunn wondered why they aren't taking advantage of the turnover to get in. Layne
4 Morrill said the prospect of a two year wait is pretty discouraging so they have to find something else.
5 The site and project as designed will be more pleasing and attractive. Councilor Dunn asked who would
6 be reviewing the applications? Layne Morrill said Northwest Real Estate Capital One Corp manages 30
7 complexes in Oregon and several on the Coast (5) come highly recommended by OCHS. It fits into the
8 business plan well in Yachats. Councilor Dunn asked if the taxes would go in URD once constructed.
9 Layne Morrill said they are tax-exempt because the general part is non-prof. Council Dunn said the
10 people here, often from Fisteria Gardens, slow traffic down so we established a crosswalk. There are
11 21 new vehicles coming out of Fisteria Gardens and has anyone talked to ODOT? Layne Morrill said it
12 is required as part of the application to submit a traffic engineer report. It is reviewed by PW, FD, and
13 the Planner. It was concluded that the change in use did not warrant any changes regarding Hwy 101.
14 It was asked whether a left turn lane was required. ODOT said no. Layne Morrill has committed to ask
15 ODOT to get one both for residents and trail users. Councilor Glenn asked if it would be overhead and
16 Layne Morrill clarified it would not but would be on Hwy 101 with signage. Mayor Brean said ODOT has
17 been asked to consider it further.
18

19 Fran Morris said that Layne Morrill has presented himself as wanting to be a partner. She pointed out
20 some things very correct: there are not enough applicants on the waiting list. He's right. Clearly there
21 is pressure to get leased up and that makes a difference. He needs City support because work force
22 affordable housing only if owners are losing money to make it WH Housing. The blockage might be tax
23 credit investors. HUD is not the block. Aqua Vista did not have the same requirements. Fran has
24 managed 700 mental health units for 15 years. Also built three units dedicated P15 and calls this
25 dedicated workforce housing. It's always confusing "affordable" vs "work force". Deadly to project.
26 "Preference" is the basis that this will be different. I ... it's a weak protection when implemented. HUD
27 doesn't allow affordable housing to be dedicated and it has to be open to all. Appendix 7: first page
28 tells you about that requirement in the low income housing credit section. Four pages in is a feasible
29 solution. Conclusion: as long as this project is subject to HUD and LIFT, it will be impossible to make
30 work force housing. There is a 1% vacancy rate at Aqua Vista. They have different types of leases, 3
31 months and 6 months. These are young, impoverished, scared, and unmobile people. Unless you can
32 keep names on the list all of the time, it won't work. Section 1.24.9, For use by the general public. I fyoudedicate these to the work force, you can still rent and can give artificially reduced rent. You can treat
33 as low income unit and limit it to 3 month or 6 months, etc. The cost analysis has to be done with this in
34 mind. The partners would have to agree to taking less profit. The City can change the density and
35 leases to better suit the need. Then we would be "forcing" Layne Morrill if we require the number of
36 special units. The City's correct and the right action is to add money, if partners are losing money.
37 Mayor Brean said it is a flaw to think the phrase Affordable Work Force Housing makes it so. HUD's
38 definition is that it can't be both. It could be mixed.
39
40

41 Linda Hetzler said that Chamber Commission met and what Fran Morris said is also some of our
42 concern. There are limitations on saving for Work Force Housing. There really is no guarantee for
43 Work Force Housing. Whether the City would like it to be here, if not Work Force Housing. Linda
44 Hetzler really feels it is the responsibility of the businesses. If we are providing jobs, it is up to us to
45 figure out housing like she resorts. She said they are working on it. The meeting with the County
46 Planner is tomorrow. She doesn't think the Layne Morrill project is going to do it. It still doesn't meet the
47 guidelines. It's great that the City is really interested in trying to solve this issue. It's valuable to act as
48 partners to increase the number of dwelling units per area. There are other things she is working on
49 with Lincoln County. She is speaking with the Overleaf, the Adobe, The Fireside and Ona.
50

51 Councilor Glenn asked if she'll ... up with a cost of \$253, 000 per unit? Linda Hetzler responded that
52 she doesn't think the Layne Morrill's project is a wise investment. The property was bought for
53 \$2,000,000.00 at the height of the market and she doesn't fault them. It is out of line for a return on

1 investment. We would be way better off looking at other properties. It's \$100/sq foot. If it's a one
2 bedroom studio, 350 sq/ft should be \$35,000.00. Or, if it's 700 sq ft, it should be \$70,000.00. I know
3 that's not considering land value. I think costs are a little inflated. A lot of things in this don't sit well with
4 me. There is always a need for people of all walks of life. This is really not the best solution.
5

6 Councilor Scott said this is the piece he's been waiting for. He is very uncomfortable with the City taking
7 the leadership role. We should be a partner only. He'd like to hear more from employers.
8

9 Councilor Dunn asked if we could get the \$3,500,000.00 Layne Morrill wants, we could buy 21 vacation
10 rentals and that would solve both problems.
11

12 Fran Morris said that demonstrates the difference in base value of Affordable Housing. That's not the
13 value base of the Work Force Housing. We need to support and show solidarity for people who serve
14 us. This is an upstairs/downstairs issue.
15

16 Councilor Scott said he looked at our Charter for the authority to act. We are all sympathetic to
17 employers and employees. We have to answer to the public to elected us. We don't really have the
18 authority.
19

20 Fran Morris asked if we don't have a role in Affordable Housing, what about Work Force Housing?
21

22 Councilor Scott said he'd look at the Charter again.
23

24 Linda Hetzler added that we can do things like zoning changes and changes to the way the city is set
25 up. She said it would be ok if the lot has to be X square feet for one house, etc.
26

27 Mayor Brean said we know we need to do what we can. The reason we look at vacations rentals is
28 there is nothing in the Charter . But, we are concerned because we are Yachadians. Layne Morrill has
29 called out and the public is upset.
30

31 Layne Morrill said 1). Pursuant to the Charter's adopted Comp Plan, we are dedicated to licensing for
32 all levels. It lays out the goals (eight years ago) but hasn't been accomplished. 2). The regulation Fran
33 Morris referred to is specifically allowed in the Handbook. Residency-placed preference. "No
34 guarantee will be Work Force" gives us the best we can allow short of the guarantee. Have a path to
35 preference.
36

37 Councilor Dunn asked if Layne Morrill needs an answer by October 31?
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39 Mayor Brean said we could meet it.
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41 Fran Morris said if we took one unit, we could guarantee low income.
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44 **VI. New Discussion: Deferred Compensation Program for Employees**

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47 **VII. Status Update: Affordable Housing Needs**

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51 **VIII. Status Update: Water Availability**

52 Rick McClung said we are no longer in a water shortage. They are predicting eight inches of rain within
53 the next week. The Geo Tech did the boring at the South Reservoir but the report is not back yet.

1 Councilor Scott said the last one never got down to bedroom. Rick McClung said it got down to
2 fractured rock. He expects this new boring will be the same. Conditional use should go to the Planning
3 Commission for R-2. The dug raised bars across the access road will break down in the spring. The
4 signed agreement should have a contingency for the reporting. He said Joan just got approval for
5 other... these will be able to use loan for that. Mayor Brean said we will re-visit the matrix another time.

6 **IX.**

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9 **X. New Discussion: Construction Excise Tax**

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12 **XI. Monthly Review: Status of Work on Measurable Objectives/Goals**

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14 **XXII. Liquor Permit**

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16 Mayor Brean said he never considered not signing it since it's on City property and is for Off Site. We'd
17 question it the same as the City Administrator. There is no reason not to have the City Administrator
18 make those decisions. There are occasions that are emergent and there's a need for a special meeting.

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21 **III. Set the Agenda for the Oct. 13, 2016 City Council Meeting**

22
23 Proposed agenda was approved with the removal of 6C as that will be discussed on Friday along with
24 the Vacation Rental issue.

25
26 The meeting was adjourned at 11:58pm.

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28
29 _____
30 Ronald Brean, Mayor

31
Attest: _____
Joan Davies, City Administrator