



**LAKE OSWEGO REDEVELOPMENT AGENCY MEETING  
MINUTES  
October 2, 2012**

**Chair Hoffman called the Lake Oswego Redevelopment Agency (LORA) meeting to order at 8.57 p.m. on October 2, in the City Council Chambers, 380 A Avenue.**

**Present:** Chair Hoffman, Members Gudman, Jordan, Kehoe, Moncrieff, Olson, and Tierney.

**Staff Present:** David Donaldson, Executive Director; David Powell, LORA Counsel; Catherine Schneider, City Recorder; Brant Williams, Assistant City Manager; Jane Blackstone, Economic Development Manager; Sidaro Sin, Development Project Manager; Sarah Selden, Neighborhood Planner

**Consultants Present:** Abe Farkas and Nick Popenuk, ECONorthwest; Tom Cusack; Michelle Haynes, REACH

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**3. STUDY SESSION**

**3.1 Foothills Urban Renewal Plan – Affordable Housing Options**

**Mr. Williams** noted that at the Council meeting on July 24, Council approved the Foothills revised Framework Plan and directed staff to come back with a draft urban renewal plan for Foothills that included affordable housing. Staff has developed options and studied their impacts to present to the Board for direction on what to include in the draft plan. The draft plan is scheduled to come to Council on October 30. At that time, staff hopes Council will review the draft plan and recommend the draft plan be forwarded for the appropriate review of other agencies, jurisdictions, and public process before going to Council for final consideration and approval of the urban renewal plan. To do the analysis, staff asked ECONorthwest to look at what affordable housing would do for the urban renewal plan and how it might impact the financial feasibility of the Foothills District. A working group of affordable housing experts helped to come up with different options for how affordable housing could be provided in Foothills: Tom Cusack, a former Oregon HUD director; Michelle Haynes; and Martha McLennan, Executive Director for Northwest Housing Alternatives. Staff would like direction from the Board on whether affordable housing should be included in the urban renewal plan; if so, at what level.

**Mr. Farkas** noted the District was expected to pay for itself over its duration, and that it is intended to share revenue. There are relatively few developable blocks; infrastructure costs will drive up the cost of land, and structured parking will drive up the cost of development. It will be a fairly expensive place in which to build. Five hypothetical preliminary scenarios have been developed. Consultants wanted to address three issues: how many units could be provided; what the appropriate level of City participation in affordable housing is on a per unit basis and on a total basis; and what the impacts are on the other taxing jurisdictions.

The first option is to provide no resources for affordable housing.

Option 3 would be to do 100 affordable housing units as part of a mixed income development that could be either vertical or horizontal mixed income. Average investment of tax increment financing (TIF) dollars would be \$50,000 per unit. The City owns a site that is not currently programmed for

development. It is possible to site at least one 50 unit affordable housing project which would have no impact on the TIF projections. It would be a tax exempt project and is on land that is not programmed. This option has about \$6.5 million of TIF allocated.

Option 4 differs from Option 3 in that there is the potential for property tax exemption that would be provided on an as needed basis and determined by the Council. The reason for that is that over a longer period of time it is never known which other resources are going to be available. When trying to achieve a production goal (in this case 150 units total), having the flexibility could be an advantage over time.

Option 5 is to set aside \$11 million for the creation of 100 housing units, averaging \$100,000 per unit plus property tax exemption and a \$1.5 million investment in 50 standalone units.

Consultants were looking at 150 units over the life of the urban renewal district. If doing mixed income, the City would probably end up with 20% of a 150 unit housing development. If a standalone project was done, there might be 50 standalone units on a City owned site, and the City would incrementally reach 150 units.

**Mr. Kehoe** asked what the projected actual cost on a per unit basis would be if the City provided \$100,000 per unit.

**Mr. Farkas** noted that the cost would vary on a project by project basis. Options 3 and 4 recognize TIF injection of \$50,000 per unit, which is more typical. The City will not be able to achieve 150 affordable housing units by just relying on TIF; achieving affordable housing is going to rely on a bundle of resources. Ms. McLennan provided examples of two alternative ways to achieve affordable housing projects. The first one uses grants, TIF, deferred developer fees, low income housing tax credits, and a reduced mortgage rate for a nonprofit developer. This project relies on surface or tuck under parking and is entirely housing. The second alternative uses grants (mostly State and some County), TIF, deferred developer fees, private equity, and a tax exempt bond. This relies on structured parking below the five stories (1 retail, 4 residential) which will probably run \$25,000-\$30,000 per space. EB5 financing might be available.

**Ms. Haynes** noted that the South Waterfront project was not comparable. REACH has done several projects that are roughly the same size, at light rail stations in Portland. She noted that the land cost in the Foothills District was high, which adds to unit cost. The Oakridge development might be comparable; it has surface parking.

**Mr. Popenuk** indicated that the impacts of the different scenarios were shown in figures on p. 7 of the Board's packet (p. 3 of ECONorthwest's memo). At buildout, the District is anticipated to have 1300 units, with 100 tax exempt; there is not a big impact on the overall amount of taxes generated. It does impact the amount that is shared with overlapping taxing districts. The sharing formula is tied to the maximum indebtedness. Maximum indebtedness would be increased for Option 5 to \$11.5 million in today's dollars, which becomes \$15 million adjusted for inflation.

**Chair Hoffman** noted that the TIF money stays inside Foothills; instead of roads, it goes to buildings.

**Mr. Popenuk** noted that the District is still a win-win, because the financing plan looks long term at penciling out. Other taxing districts see a benefit in terms of the revenues they are receiving even before the urban renewal area goes away. There is a big difference in who receives those benefits in the scenarios. Table 3 of ECONorthwest's memo shows the summary of the impacts to the taxing districts. Through the end of the life of the urban renewal area, overall the project goes from having a positive impact of \$47 million to a positive impact of \$27 million on the other taxing districts. The school district benefit in this case is not direct, because it is dollars to the State school

fund.

**Ms. Moncrieff** noted that the construction tax would still apply on tax exempt units.

**Mr. Popenuk** noted that under Option 4, the City of Lake Oswego would benefit by share revenue of \$10 million instead of \$17 million over 30 years.

**Mr. Gudman** asked what level of City support was provided for the Oakridge Apartments.

**Ms. Jordan** noted that there was no City financial support for the Oakridge Apartments. The property was donated for affordable housing.

**Mr. Gudman** asked if any fees were waived.

**Mr. Williams** said he didn't believe so.

**Ms. Jordan** indicated that the City presented many hurdles in the land use process, and the project took three years to build because of it. The neighbors objected to it, and the Land Use Board said the City's code wasn't clear on whether or not the project could be built there.

**Ms. Olson** indicated that code definitions have been clarified. Some of the conditional uses were unique; they were allowed to have less parking, and the Church promised to provide a shuttle. The shuttle is an ongoing issue.

**Mr. Kehoe** noted that the schedule appeared to be a fast track, and asked if that meant this needed to be complete this evening.

**Mr. Williams** confirmed staff and consultants would like direction this evening. The project doesn't need to be defined; they want to work with affordable housing experts to make sure that what was proposed is reasonable.

**Chair Hoffman** noted that Mr. Williams was asking the LORA Board to provide direction in terms of whether to include an affordable housing project at some level of investment.

**Mr. Williams** noted that staff and consultants thought Option 4 was a reasonable option. When the time comes to have TIF available to do a project, which could be from 2017-2020, the Board can decide what level of TIF can go toward the project and what that project might look like, whether it is tax exempt or not. This is just providing a placeholder.

**Ms. Moncrieff** indicated she needed more time before she was ready to make a specific decision. She is concerned about the effects on the other taxing districts and wondering what degree of specificity is needed as far as number of units or dollar amount.

**Mr. Williams** noted that for the urban renewal plan, number of units was not needed. What they need is a dollar amount to put towards a project. Other projects that were developed will be included in the urban renewal plan as part of the framework plan all had dollar amounts and cost estimates put toward the projects, for example, rebuilding Foothills Road, rebuilding B Avenue, and redoing the sewers. When staff and consultants come back with a draft urban renewal plan, it will have all those projects with the associated costs. ECONorthwest is looking at the aggregate of all those costs and using that to develop the maximum indebtedness figure before the urban renewal district and the timeframe for when it would expire. For staff to come back to the Board with a draft plan, it would be helpful to know in general terms whether the Board would like to see an affordable housing project, and at what cost. When staff and consultants return to the Board at the end of October, the Board can adjust it, and the Board will not make a final decision until November or early December when it comes back to City Council. It doesn't tie the Board's hands for doing the project long term.

**Ms. Moncrieff** indicated she was interested in exploring tools such as density bonuses, which did not require a direct financial outlay by the City.

**Mr. Farkas** indicated density bonuses could be effective when there is a very high demand by people to increase density and there is a way to allow that; tradeoffs can be exacted.

**Mr. Williams** Foothills has a maximum height of 90'. All the planning has been around buildings that are 5-6 storeys, with maybe two reaching the 90' level. The expectation is that the densities will be very moderate.

**Mr. Gudman** asked if the City was talking about increasing height in order to make the project financially feasible.

**Mr. Williams** indicated the City was not doing that.

**Ms. Moncrieff** indicated that apparently the City was too low density to use some of the tools available for more urban environments.

**Mr. Farkas** indicated that when development is done in an area where land costs are lower and infrastructure costs are less, tools like TIF do not need to be relied on so much to get affordable housing. An area like the Pearl, or other areas where there are more 4/1 projects (four storeys of residential over 1 commercial), land costs and infrastructure costs are greater, because the land isn't really prepared for that. There is no grid system in place. Then it is a burden to create affordable housing without more tools.

**Mr. Tierney** indicated he felt like he had very little knowledge on this topic. This evening's presentation assumes that there is some knowledge. It is difficult to understand where the City is going. In the Comprehensive Plan, it defines 80% as being low income. Different percentages are used here. He feels that the Board has jumped into secondary school and he needs to be in kindergarten.

**Mr. Kehoe** concurred. It is late, and he would prefer to take the process slower and try to decide if it works for the community and how it works. He is not prepared to make a decision tonight.

**Ms. Jordan** indicated that she thought it does work for the community, and she thinks it is an important thing that the Board needs to incorporate into the District. She knows there were concerns that the number of units didn't approach what people were hoping for, but this is a small District. She hopes the City is able to provide housing for seniors who may be struggling to maintain the house they have but want to stay in Lake Oswego. Councilors and the Mayor hear from people all the time about limited incomes and how they can maintain their status as an independent person going forward as they age. She thinks it is an important part of the fabric of the community. She thinks it's like setting a line item aside for a project, except that instead of building a park, they are building affordable housing. She thinks it's a driver for the Board, that if they can do a small group of affordable housing units here, maybe other places around the City can be found where the same type of thing could happen. She thinks a lot of people will fear a 50-unit affordable housing project until they realize that Oakridge is the same type of thing.

**Chair Hoffman** concurs with Donna. He understands that the LORA Board is being asked to preliminarily move forward with a line item that is an affordable housing component with a number attached to it. He assumes that number can change, but at least it is there as a placeholder. Affordable housing is important to the community; it is losing housing choices. If the City is trying either to attract young families or to allow people to age in place, this would provide an option; the City doesn't have a lot of options any more. When he moved here in the mid-70s, the town was a lot more affordable than it is today. He asked if Council thought it would be appropriate to have an affordable housing component as a project.

**Ms. Moncrieff** agreed there is a community need; she is fine with a placeholder tonight. She needs to meet with staff in October to receive more information and understanding on the different types of mixed income development vs. scattered affordable units and market rate properties. She knows a good job needs to be done communicating this to the public. The community has been clear they don't want high rises.

**Ms. Olson** noted that some people talk about aging in place and downsizing from their homes to Foothills. Oakridge was a lottery, and at least half the residents moved in from outside Lake Oswego. It may be a fallacy to say that Foothills will provide a place for Lake Oswego residents to age in place.

**Ms. Haynes** noted that Northwest Housing decided to lease the project through a lottery because there is so much more demand than availability for this kind of housing. There are other ways to lease projects like this; priority can be given to neighborhood or City residents. It is reasonable to try to provide a place for seniors in Lake Oswego within the confines of fair housing laws.

**Ms. Olson** asked if there was a way staff and consultants could come back in October with two versions of the urban renewal proposal, one with a line item placeholder and one without, or if that would be too much work.

**Mr. Popenuk** noted that Ms. Elaine Howard is the expert when it comes to the statutes that relate to approving an urban renewal plan. A big part of that is the notice that informs people action is being taken. He believes that notice requires that maximum indebtedness be stated. Once the notice is sent out, he is not sure whether it can be changed.

**Mr. Williams** indicated that coming back to Council before the notice is sent out would essentially present what ECONorthwest has pulled together in the report.

**Ms. Moncrieff** indicated she had also heard community concern that not all of the affordable housing be put in Foothills, and so the City should be cautious about the percentage.

**Mr. Williams** indicated that he didn't think that would be a problem. The project is only looking at 150 affordable units, and the North District has about 1300 total units. The demand is very significant.

**Mr. Gudman** indicated he agreed with the affordable housing that went in at Oakridge. What the City is talking about now is something very different, and he believes it should be made with careful consideration. He believes putting a placeholder in sends the City down the road to getting in the housing business. He doesn't believe the Board has thought through the implications, and is unsure there will be support from the community. He is opposed to creating a line entry for this tonight.

**Ms. Olson** asked if there had been a citizen advisory committee or task force involved.

**Mr. Williams** indicated staff and consultants had talked with the CAC about the general direction in the framework plan for affordable housing. Several on the CAC felt it was good to include affordable housing.

**Chair Hoffman** asked if a majority of the group was comfortable with moving forward with a line item for affordable housing with a number. Only Chair Hoffman and Ms. Jordan were comfortable with moving forward.

**Mr. Williams** noted that Council directed staff and consultants to come back with an urban renewal plan in November. They are trying to accomplish that. The LORA needs to provide notice of a draft plan that would go out for public review. They were hoping for Nov. 6, but it was brought back to Oct. 30 so that Council's original timeframe could be met.

**Mr. Tierney** noted that affordable housing is not a concept that everyone embraces. He believes the City's pace should allow people to better understand and embrace what they are doing.

**Mr. Williams** indicated he would meet with LORA Board members to discuss their concerns either in a study session or individually.

**Chair Hoffman** indicated he would recommend meeting individually if possible, and then meeting as a group.

**Mr. Williams** asked if the Board wanted a public process on it. The Comprehensive Plan process is discussing affordable housing. If the Board sets aside TIF dollars for affordable housing in this District, there would be a resource to implement what comes out of the Comprehensive Plan in the Foothills District. Without that funding source, the City is back to trying to figure out how to make affordable housing happen within the District that has all the other fiscal constraints associated with it.

**Ms. Jordan** indicated she thought \$6 million was a very reasonable amount to put in. She sees it as a line item, reaffirming all the people who were involved for years in the affordable housing task force studies. The City may want to do it differently, but a funding source will still be needed. This is one of the first opportunities to take a step in that direction. She also indicated that if members want more education before the plan is drafted, she thinks it is better to do that.

**Ms. Olson** noted that infrastructure costs and structured parking make the property expensive to develop. If there was no urban renewal there, she wondered if the City would be able to attract an Oakridge kind of development there.

**Ms. Jordan** noted that the land for Oakridge was donated and questioned whether landowners in Foothills would be willing to donate their property.

#### 4. ADJOURNMENT

**Chair Hoffman** adjourned the meeting at 10:05 p.m.

Respectfully submitted,

Catherine Schneider /s/ \_\_\_\_\_  
Catherine Schneider, City Recorder

APPROVED BY THE AGENCY:  
ON April 9, 2013

Mike Kehoe /s/ \_\_\_\_\_  
Mike Kehoe, LORA Board