City Center Redevelopment Authority Meeting Minutes

Vancouver City Hall – Council Chambers – 415 W. 6th Street
PO Box 1995 – Vancouver, Washington 98668-1995
www.cityofvancouver.us

September 21, 2020

SPECIAL MEETING (Convened telephonically, no in person attendance)

The meeting agenda materials referenced in these minutes can be found online. The agenda for this meeting was a continuation of agenda items from the regular meeting on Thursday, September 17, 2020.

ITEM 1: CALL TO ORDER AND ROLL CALL

The September 21, 2020 meeting of the City Center Redevelopment Authority was called to order at 1:01 pm by President Richard Keller.

Present: Richard Keller, Dick Krippaehne, Debi Ewing, Marc Fazio, David Copenhaver
Absent: Brad Hutton, Jack Onder

ITEM 2: MULTI-FAMILY TAX EXEMPTION PROGRAM CHANGES – PHASE I

Item Summary

Chad Eiken, Community and Economic Development Director, introduced proposed revisions to the Multi-Family Tax Exemption (MFTE) program. These revisions seek to address two issues identified by the CCRA, City Council, city staff and program applicants: to ensure that the maximum rents allowed under the affordability criteria are indeed affordable to Vancouver residents, and to tie the public benefit requirement for market rate housing to the value of the tax incentive in order to create project-to-project consistency. Peggy Sheehan, Community Development Program Manager, provided some background on the program, stating that it has been initially enacted to incentivize residential growth downtown, and was subsequently revised in 2017 to additionally incentivize affordable housing. Paul Lewis, consultant, walked the board through the methodology used to compare the Portland metropolitan statistical area's median family income (used to define affordability in the current MFTE program) to Vancouver's median household income (a Vancouver-specific number that is additionally inclusive of single person and non-family households) to establish meaningful rent thresholds for Vancouver.

Chad Eiken presented proposed changes to the Public Benefit Option for market rate projects, using a fee-in-lieu model. Previously, the CCRA board had provided feedback requesting additional guidelines to assist with comparing the value of public benefit proposals project-to-project, to alleviate some of the subjectivity in their decision making. This proposal would replace the public benefit requirement that is negotiated project-by-project with a per unit fee of $2,000 per unit. The fees would then be directed to the City's Affordable Housing Fund, providing predictability for developers and leveraging affordable units for lower income households for a longer period (20 years). Next steps include a City Council workshop for introduction on Sept. 28, a CCRA meeting to discuss program refinements and implementation on Oct. 10, and adoption of the changes at a City Council hearing in November. Staff anticipates a second phase of program analysis and revisions to occur in the second quarter of 2021.

Board Discussion
The CCRA board discussion centered around the origins and intent of the various iterations of MFTE program and sought to understand potential constraints to the feasibility of development if these amendments were enacted. The was general acceptance of the need to ensure rents labeled affordable by the program are indeed affordable to the Vancouver market. Paul Lewis noted that value of the revised tax inventive would still be significant relative to the opportunity cost of the foregone marker-rate rents, but board members were particularly interested in potential outcomes to development pro formas and potential for securing funding. Chad Eiken indicated that there would be a stakeholder meeting including developers later that week and one group had volunteered to share that type of numerical analysis. David Copenhaver noted that including incentives from the Opportunity Zone designation would be useful to include in the rate of return analysis. President Keller noted that the cost of land and need for high rise buildings downtown increase construction costs and wondered if there should be a VCCV adjustment factor built into the program.

Dick Krippaehne observed that since 2017, the MFTE program has had two objectives, to incentivize development downtown, and to incentivize affordable housing. Those two objectives, coupled with the regional cost of construction and geographically variable rent prices, create a narrow 'tight rope' to walk in order to balance incentivizing investment and preserving rent prices. Marc Fazio built on this observation, questioning whether incentivizing residential buildings downtown and incentivizing affordable housing should be blended into the same program. He asked if the 2017 changes undermined the original intent of the program and wondered at what point development downtown will be stabilized and no longer in need of stimulus. Debi Ewing echoed Marc Fazio's question about the stability of downtown development and added that City Council must decide if all developers seeking a property tax exemption should be required to contribute to affordable housing. Ewing asked about the possibility of eliminating the 8-, 10-, 12-year options and requiring all developers to pay into the affordable housing fund. Chad Eiken indicated that idea had been discussed at one point, but the concerns arose that the only affordable housing projects benefitting from the fund would be at the very low income levels (50% of AMI and below), which could undermine efforts to preserve working wage and missing middle housing options.

President Keller stated concerns that making the wrong choice in amending this program could halt nascent development on the Waterfront and at Waterfront Gateway. David Copenhaver provided preliminary rate of return calculations based on a recent project, the Broadway, which is anticipated to receive the market rate with public benefit MFTE. It was indicated that without any MFTE program the return would be 3.75%, with the pending MFTE proposal it would be 6.5%, and with the fee-in-lieu model proposed here the return would be 6.35%. It was noted that 6.35% was adequate to move forward (as opposed to 3.75%), but other factors came in to play in project feasibility besides the yield of cost, such as availability of funding and debt service options. Debi Ewing encouraged the board and City Council to keep their eye on the intent of the original program and assess when the rental market downtown will be saturated. David Copenhaver expanded on that thought, noting that at some point downtown incentives will need to switch over to business recruitment to employ these new downtown residents, and without those opportunities, downtown will stagnate regardless.

CITIZEN COMMUNICATIONS

None.

ADJOURNMENT

2:06 PM

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Richard Keller, President

Meetings of the City Center Redevelopment Authority are electronically recorded on audio. The audio tapes are kept on file in the office of the City Clerk for a period of six years.

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