

**City of Hood River  
City Council – Special Meeting  
March 1, 2021**

Council: Mayor Kate McBride, Mark Zanmiller, Megan Saunders, Tim Counihan, Jessica Metta, Erick Haynie, Gladys Rivera

Staff: City Manager Rachael Fuller, Finance Director/ACM Will Norris, City Attorney Dan Kearns, Fire Chief Leonard Damian, Police Chief Neal Holste, Public Works Director Mark Janeck, City Engineer Wade Seaborn, City Recorder Jennifer Gray

Absent:

**I CALL TO ORDER**

Mayor McBride called the meeting to order at 6:00 p.m.

Land Acknowledgement Statement and Pledge of Allegiance

Note: Business from the audience was moved under Discussion Item No. 2 Missing Middle Housing Code Workshop.

**III DISCUSSION ITEMS**

**1. 5-yr Utility Rate Plan, W. Norris**

Norris stated this is the first out of three meetings on a new five-year utility rate study. First meeting tonight will be water and sewer rates, the second meeting will be on March 8 on stormwater rates and SDC's, and the third meeting will be on March 15 on affordability programs and how the City can better utilize them for low-income individuals.

The rate plan that will be discussed will be picking up where the City left the 5-year rate plan, that was adopted in 2015. From FY2014-15 to the current fiscal year the rates increased by 43%. This increase was necessary to start making substantial improvement progress on the backlog of capital projects and debt service on the waterline replacement project, that happened in 2013. During that period of time, rate increases were uniformly applied all across customer classes, residential, commercial and industrial without any regard to each user's proportional burden on the system. The rate plan that will be discussed tonight places much more emphasis on appropriately allocating the rate burden across user classes, rather than overall increase to revenue system wide. The plan only increases rates by 3% per year, but they are significant changes within user classes. Tonight, you will see in water and sewer, how rates are designed to slowly shift rate burden away residential, which are paying more than their fair share on to commercial and industrial. They have been paying less than their fair share. It is also done with an eye towards reasonableness and the amount of change that the system can assume. What you will see is significant progress towards increased rate proportionally, but not perfect rate equity. The purpose for that is to not see double digit increases on their commercial customers year over year, over the 5-year period. The second meeting a shift towards impervious surface as a measure of stormwater rates, away from just meter size. Which is a much more logical and direct correlated to payers' impact on the stormwater system. The third meeting will address ability to pay by bringing recommendations to Council on how to improve the affordability

programs. At the conclusion of the three meetings, City staff will bring back a resolution with the implementing rates, effective July 1, 2021 based on the work FCS does, as well as the direction given by Council over the next three meetings.

Doug Gabbard, Project Manager at FCS Group presented a PowerPoint presentation. It has been added to the record. John Ghilarducci, Project Principal and Wyatt Zimbelman were also in attendance to present.

Garboard reviewed the presentation overview. Recap of the rate study. Overview of rate setting process. Water and sewer rates results: Revenue requirement, cost of service and rate design. Questions and discussion. Wrap up with next steps.

A revenue requirement analysis which looks at the size of the revenue pie and how big does it need to be. A revenue requirement is the total dollar amount for any given year that you need to raise with rate revenue to give the utility the amount of cash it needs for spending. Cost of service allocation is looking at the slices of the pie. Are the individual classes paying their fair share? Once it is decided what each customer class should be paying, you would be amazed at the amount of flexibility and choices to determine how that revenue is going to be recovered in the different choices available for charging that rate.

Zimbelman presented information on the revenue requirement analysis. Key Assumptions; annual cost inflation, annual customer growth rates, operating forecast, and future debt issuance. See slide 6 for details. Capital fund forecast for water, slide 7 shows each year's capital obligations and the debt that is forecasted for each year. Once there is an idea of what type of debt service that is needed and how much capital will need to be paid for, the revenue forecast is done. Slide 8 reviews the revenue requirement forecast for water. In order to fund all the initial capital plan, the City will need an annual rate revenue overall increase of 3%, for the next 10 years. That is for all customer classes. Slide 9 reviews capital funding forecast for sewer. Sewer is a little more front loaded. They are going to borrow again in three issuances. Every other year, starting in FY20-21. It is in the current budget; \$1.5 million interfund loan from Equipment Fund budgeted and \$2.1 million revenue bond issuances in FY2022-23 and FY 2024-25. Slide 10, Revenue requirement forecast for sewer. More rate revenue is needed to support capital projects and debt service; \$3 overall annual rate increases recommended from FY2021-22 through FY2028-29.

Garboard stated Zimbelman described what the rate increases would need to be if they were going across the board, but a deeper look into individual classes is needed. They are here to help the City do this task. Garboard reviewed the two-step process that is used. Step #1: Allocate costs to functions of service, slide 12. Step #2: Allocate Costs among customer classes; slide 12. Water customer classes: single family, multi-family, commercial, industrial and irrigation. They take the cost from all those functions and put them into the individual classes based on the number of accounts in each class; slide 15. Slide 16 reviews allocation of FY2021-22 revenue requirement. The pie chart on the left shows how the City is recovering costs under the current rates. The pie chart on the right represents the way the cost should be recovered based upon the cost of service analysis. Some of the adjustments are significant. What they are showing are best practices and there is good reason to why the rates should be adjusted to cost of service, but the City is not legally obligated to make the changes. Setting rates at cost of service is a nice way to make sure they are equitably applying the rates to those customers in proportion to their burden to the utility system. Garboard reviewed a water cost of service (COS) implementation strategy to smooth the transition for rates. This would get close to

COS within five years. No rates would go down. The general approach to implement COS when some classes go up, the others are held constant until the other classes catch up. All classes except for multifamily reach their allocated cost of service by FY2025-26. Overall annual increases deviate slightly from 3% target, to facilitate logical progression of rate over time. Beyond FY2025-26, rate revenue adjustments would apply across the board.

Sewer COSA methodology works the same way as water. Recommended strategy to move towards COSA findings over five year. Septic and sludge hauling fully implement COS rates in first year. Rather than decreasing single family rates, they are increased at rates lower than the overall systemwide rate increases. Non-residential held flat in FY2021-22 as rate design is implemented. All classes make progress towards costs of service by FY2025-26. Overall annual increases deviate from 3% target, to facilitate logical progression of rates over time. Beyond FY2025-26, rate revenue adjustments would apply across the board.

Zimbelman reviewed the current rate structure a presented the new proposed rate structure. Whatever rate structure that is made, needs to basically collect the overall revenue requirement or whatever revenue requirement that is being targeted. That is the number one consideration. The next step it to target phase-in revenue level for each class of service. The third option within that, how do they want to structure the rates to meet the goals of the utility. That can be focused on encouraging conservation or try to keep revenue as stable as possible. They worked with the City on what would be appropriate. There was consensus the existing rate structure works well but there are some improvements they wanted to look at making. On the water side: maintain existing base fees, and one charge per meter size. Expand volume charges, individual rates for each customer class. For sewer, maintain existing base fee structure, one charger per meter size. Increase base fees with single family rate increases. The real changes are going to come with the volume charge. Expand volume charge: separate multifamily from non-residential and increase the number of non-residential strength classes. Zimbelman showed the rate structure on Slide 27 and comparison rates to other cities on Slide 28.

On the sewer side, the big change is going to be expanding the strength classes. Right now, there are three strength classes low, medium and high. The idea with the new structure is going to be expanding that and creating new classes on the high end. Move the high class up to be higher strength to help them better capture some of the higher strength customers, rather than having them grouped into three classes where there might have some very different types of customers. The benefits of expanding the structure, you can get better differentiation of customer types and make sure they are paying a rate that reflects their sewer strength. Slide 30 shows existing versus proposed rate. Slide 32 shows comparison rates with other surrounding cities.

Garboard stated next week they will be reviewing the stormwater analysis. That is both the revenue requirement, as applied to the impervious surface bases. They will also show Council how a stormwater credit policy could work and the rate implications of that. They will also discuss the stormwater SDC and how it should be adjusted. The follow week after that Todd Chase will speak about the affordability analysis.

## 2. Missing Middle Housing Code Workshop, D. Nilsen

### **BUSINESS FROM THE AUDIENCE**

Becki Rawson, Hood River, OR – she is a nurse at Providence Hood River Memorial Hospital. She has worked there for 32 years. She has strong interest in housing availability in the area.

She attended the missing middle housing presentation a year ago. It struck her that it made sense for them to be thinking about this for the area. She has looked at what has happened in other regions that have had the same housing pressures as Hood River. It has been well utilized in Portland. She believes creative thinking needs to be done to solve this local and national housing crisis. She believes the missing middle housing is a great solution. In her work she has witnessed professionals and people who have moved to the area or who have grown up here and receive an incredible education at the community college. They became nurses or worked in other areas but cannot afford to stay here. It is tragic. If they cannot live where they work, they have to move.

Susan Crowley, Hood River OR – she wanted to start with a word of concern regarding a process difficulty. She believes Council is coming to pre-decisions before they have heard any public testimony. That has been an issue in other matters and can be a problem. She has a quality of life concern about the draft as far as she understands it now. She thinks it's great the City is moving away from the big box townhouses and moving towards limiting sizes of new dwellings. She has concerns about water run off impacts. She sent Council an email with an EPA graphic that indicates even through your increasing the lot coverage by 25%, that nearly doubles the runoff that occurs. It is a big deal and it needs more thinking. She also spoke about landscape requirements and suggested there is a way to ensure the planting comes to maturity or maintained.

Nancy Roach, Hood River, OR – she has been involved in this process for a while now and has spoken multiple times during Planning Commission and Council sessions. She and her husband have a long-standing interest in creating and supporting a diverse housing inventory. She read a letter on behalf of Dr. Christopher Swisher who is a local dentist. The statement was added to the record. He spoke about the difficulties his employees have finding affordable housing and the lack of housing. The loss of employees is a hardship on his businesses. It takes months to years to property train a new hire. A housing solution is needed that continues to help small businesses provide for the community. Roach ended by stating the decision Council makes on this code will shape what the City will look like and who lives here in 20 years. This code has evolved dramatically in a good way. She applauds the Planning Commission and Planning Department for their thoughtful decisions and for the consideration of multiple audience feedback. These issues are hard and thank you for taking it on.

Katie Crafts, Hood River, OR – her family bought their family home in 1992. She moved back to the area after college to be near her family. She is living in a basement apartment in Hood River. She is a member of the local working class. She is pleased to see Council addressing the zoning laws and taking into consideration people like her. She is unsure on the process to know how to get her voice heard, so she is here tonight speaking on behalf of people like her. The Gorge is a hard place to build a life from scratch. After working around the world, she would have to say the working class of the Gorge is some of the most resourceful, adaptable, and creative people she has ever met and yet they are all barely hanging on. She is here today to encourage Council to take a stand on behalf of the work force and intentionally design zoning so that people who are building their lives here, can also afford to live here. To be clear, we are your kids, teachers, vets, nurses, non-profit employees, business owners, chefs and more. Housing for the missing middle impacts, the people who are the backbone of this community. We are the people who functionally operate this community. She has lost many friends that have moved out of town to areas where it is a more direct line to connect between local incomes and housing prices. Without housing for people of this demographic, what kind of future community are we designing. People in the workforce work a lot and do not have much time to spare for things like speaking up on our own behalf, at City Council meetings. This is a time to make decision on behalf of the voices that

we hear but also more importantly on behalf of the voices that we do not hear. Please consider the workforce voices when you are designing our community's future.

Ben Mitchell, Hood River, OR – he thanked Council for addressing the critical need for workforce housing in Hood River. He has lived in Hood River since 2010 and loves living here. He feels more and more this is not a welcoming place for him or anyone else in the working or middle class, in his generation. Owning a home here still seems like a pipe dream due to absurd rise in home prices. He hopes the City can make real progress on this issue and hope one day soon, to see the results.

John McGrory, Hood River, OR – he has owned his home in the City for 20 years. He started out as a second homeowner and lives in Portland. Overtime and this last year, more of his time has been spent here. At the end of this year when he retires, it will be his permanent house. He is concerned Council may not be giving proper consideration to the people who already live here and the effect it will have on current homeowners. He apologizes if that sounds rash. Everyone should be concerned about the parking situation brought by this ordinance. There will be a lot more cars in the street. People in Hood River own cars for recreation. More cars and parked cars will create more dangerous situations, not only for the people living there but for the people driving through. That should be considered. He asked that Council do a study on the economics, that is important. He does not believe this proposal is going to provide the type of affordable housing that some might think it will. The price of housing is not based on the cost of the housing but on supply and demand. He does not believe this will provide a better community for living, for the people in Hood River. He believes it will serve to increase traffic and increase problems with parking and generally decrease the standard of living in Hood River.

Mike Kelter, Hood River, OR – he is supportive of the City's proposal. Its impressive Council is giving up another Monday night to work on this important issue. It is what the town needs. Off street parking creates traffic calming. The lack of curb cuts creates better parking and safer streets. He stated McGrory made a good point, how do they make a tangible effect in today's market within the next 18 months at changing the missing middle. The only way to do that is to provide inventory. The only way to provide inventory is to increase density on the current buildable housing land. This is a beautiful step forward and it actually gives Hood River a realistic opportunity to do so. The things that really matter, if you create something on the zoning side, you need to make sure it can functionally work throughout the two areas that need to be taken into account. Can Planning code align with Public Works, Engineering, and the Building Department. If those three cannot consistently align, no builder, developer, homeowner will take on a project like this. It will die at concept phase. Their needs to be some type of accountability with the City to back check this will work. Infrastructure will kill a project like this. It is the reason you see larger homes get built in place of small townhouse or cottage building. If they cannot financially produce a project, the only way out of a land project like that is to do it with square footage and price per square foot. If the infrastructure is thought out with the City, there is an opportunity for developers to do projects like this. That needs to be taken into account; some type of offset if there is a commitment to doing this and sold as an affordable style project. He has been asked as a developer and a builder if he would entrain or do a project like this, if this was an opportunity. His answer is yes. But it needs to work from the beginning to the end. If you can do that and prove that, which the City has the opportunity to make it happen, he would be the first to put his money, land, time, and company resources to doing this. He would commit to selling these as workforce housing, that the City needs.

Nilsen presented a PowerPoint presentation. It has been added to the record. He provided an overview on the missing middle housing project. The code and purpose of tonight's meeting is to present Council with a draft of the missing middle housing legislation for next Monday night's public hearing. To ensure the draft meets and implements some of the Council's policy for the development of missing middle and to make any Council requested modifications or clarifications prior to the public hearing. The purpose of the project is to establish a clear process and regulatory framework to allow greater diversity, to meet these housing needs. This code would be implemented in a standalone code for uses that would be permitted outright, in some form in each of the residential zones. To be reviewed under clear and objective standards and permitted through expedited permitting reviews.

Nilsen gave a summary of the middle missing code and background information for those listening to the meeting, that are less familiar with the project. He explained the code is broken down into seven sections and reviewed each one. Within the development standards, it is composed of 14 sections that cover design and layouts. This is included in the meeting packet. He reviewed some of the policy issues and areas where there was not consensus among the Planning Commission. He would like to take input on anything included in the draft regulations before Council. Key areas included the required site area for dwelling units, parking, stormwater landscaping and tree preservation, dwelling size, building height, and highlighting the issue of short-term rentals and building conversions.

Council discussed building height. Mayor McBride stated Planning Commission wants to rely on the existing City's height measurement methodology, not provide a custom one that was unique to the middle housing code and leave it for a citywide discussion because it does not seem clear. Staff would like to put something in the middle missing code. There was a difference in opinion on how that should be done and if they did it through code. Are these the right numbers if they did it? thought this code?

The current code is 28 feet across the board for any type of roof. If you can build a pitched roof, you still get the 28 feet but if you do not build a pitch roof, you are penalized compared to the current code. It will be an incentive to build a pitch roof. The intent is to limit these to two story dwellings.

After discussion, Councilors Metta, Haynie and Zanmiller are in favor of incorporating the new code. Councilor Saunders and Mayor McBride were not. Councilor Counihan is trying to determine if this is an issue that really needs to be fixed. No response from Councilor Rivera. Fuller stated Council's conversation is helpful, staff will go back and see if there is more information that can be provided or additional options to propose.

Council discussed parking; how many and where. Significant part of site layout includes how many cars you are going to accommodate and require. The tension of putting those on site and impacting or consuming some of the developable area or not requirement them on site and having additional demands on street parking. Second issue is location. One of the key points on design standards was not allowing parking between dwelling units and the street. Along the side of the buildings, tucked under the buildings, beyond the buildings were going to be acceptable outcomes. It limits the impact of parking and the prominence of off-street parking in the front of the dwellings.

Councilor Saunders believes it should be up to the developer to make the choice of what fits for the property they are developing. She also supports reduction in costs and provide incentives for this

type of housing. She is supportive of a 3/4 parking space per unit.

Councilor Metta stated she is in favor of 1 parking space per unit.

Councilor Zanmiller stated he is in favor of 1 parking space per unit but maybe there could be other things they can do make it easier to the developer.

Councilor Haynie is instated he is in favor of 1 parking space per unit but he would prefer more than 1 spot required.

Councilor Rivera and Counihan are both in favor of 3/4 parking space per unit.

Mayor McBride stated she is on the fence between 1 and 3/4. She is thinking about the fourth unit not having parking on a 50x100 lot. She understands the issues. She has heard from people about the parking issue, then any other issue in this middle housing discussion. She would have to go with 3/4 parking spaces per unit.

Fuller stated staff will bring back final language for Council to approve at the hearing.

Location of parking was discussed. The Planning Commission was slit on this decision. Nilsen stated the provision that would prohibit parking between the dwelling units and on streets. The Planning Commission did not receive a consensus on this. It was a 3-3 vote. The current code states you can park one car in front of your house. The recommendation by staff and the split vote was for not allowing one car parked in front of your house.

Councilor Saunders stated she would be fine with one or two vehicles in the front set back but not one per unit. Something that gives flexibility and some type of option that is more in line with what current neighborhood have. She does not believe having one or two cars in front of a property is a large issue or visual problem. Balance what we currently have but not allowing it to be turned into a full parking lot of the entire frontage.

There was discussion regarding curb cut standards and requirements. Fuller suggested as Council goes into the public hearing, staff can make the curb cut a visual, so Council can see the impacts. That might help Council make a decision on how to move forward.

Mayor McBride opened the discussion for additional comments, questions, or ideas from Council.

Councilor Saunders asked about the density bonuses for units under 800 square feet in the R-2 and R-3 but it's not in the R-1 zone. She asked if there was a reason the Planning Commission did not include R-1. Nilsen responded it was based on the direction staff took from Council early on to entertain the idea of having a duplex in that area and not necessary taking it beyond that. The smaller unit bonuses came up during the hearing. It was not in the initial draft. That was something the Planning Commission added but R-1 was not recommended or suggested. Councilor Saunders would like Council to discuss it. The missing middle housing is housing that is needed, and it's not being built in town. When she talks to people in her demographic, the smaller units are what many people really want for both cost and size. She would like to see the City promote that in all the zones.

Council Zanmiller agrees with Councilor Saunders. He believes they need to make sure they write

a rule set, that pencils for the people that are going to be building these homes.

Councilor Metta stated she would like to keep R-1 as it is, without the density bonuses. Looking at the City, most of the City is R-2 and R-3. There is a very small area of the City that is R-1. This is going to impact most of the City anyway. She is in favor of less lot coverage versus what the Planning Commission was in favor of.

Councilor McBride stated the idea of one for one for tree retention, she thought that was a fantastic idea. She is hopeful that will help reattain additional trees on properties.

Councilor Haynie spoke about two points of concern he has. One, there is a quality-of-life issue here. They do not know how significant the actual densification may or may not actually play out in light of market forces and other factors. There is a possibility under this code change to see significant increase in impervious surfaces, loss of trees, loss of play space for children, more cars on the roads. Second, will this solve the problem; out priced the community for homes. He believes it is driven by the nationalization that Hood River is a beautiful place and it has a national interest. Its too bad for those who have grow up here, they want to enable the next generation to live here. He questioned will increasing supply, decrease demand. It seems to him that is an unspoken premise. He is unsure it will. He believes the other things they are doing, such as Rand Road will help. There are other ways to achieve their goals. He stated incase there are some unintended consequences if it were to be passed, he suggested having a 5 year relook or expiration. Just in case this spirals into something else. He also suggested excluding R-1 from this, as mentioned by Councilor Metta. With the thought of considering aligning the policies with consumers.

Councilor Saunders stated the available land in the Urban Growth Boundary at this point is R-1. That is a large area the City is going to be growing into and it needs to be used efficiently. She believes it is odd to say there is not a lot of R-1. It matters what is done with that zone. R-1 mean low density versus standard or high. She believes the code addresses some of that with lower lot coverage and higher landscape area. It has a higher square footage per unit requirement then R-2 and R-3. They have already built in that it is already lower density but the other side of that whether it is the House Bill 2001. They received multiple comments talking about the equity issues of R-1 being exclusive to single family. There has been a larger conversation nationally that R-1 excludes certain people from R-1, even if it is at a lower density. She is not comfortable with that. She would like to figure out if there are ways to not only do a duplex but also a triplex, or other things that allow small units that will be the same mass, as a large house on a large lot. Allow more people access that area of town.

Councilor Rivera agreed with Councilor Saunders.

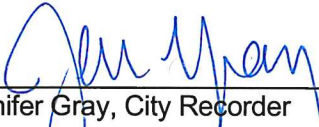
Mayor McBride stated she is fine with R-1 as it is. She would consider changing it to the same as R-2 and R-3. She believes House Bill 2001 will affect the City sooner than later. The City will grow to 10,000, and it will be two units. The City already allows two units in the R-1, with ADU's. She does not believe it is going to be a large change.

Mayor McBride wanted to bring up the alley buffer yard. Having built two ADU's herself, she is not sure about having a landscaping buffer next to the parking. Nilsen explained the buffer yards also serve as a setback. This would require the building to be set back, from the alley right of way. This is what essentially provides that separation. There is no unique setback. This sets the setback from the alley for structures, and it allows parking to go in.



Next steps: Public Hearing scheduled for March 8, 2021.

**IV ADJOURN** – Adjourned by unanimous consent at 9:45p.m.

  
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Jennifer Gray, City Recorder

  
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Kate McBride, Mayor

Approved by City Council on \_\_\_\_\_

