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City of Stevenson
Joint City Council/Planning Commission
Residential Growth Goal-Setting Session
Meeting Minutes
December 1, 2016—6:00PM

City Council Members: Present: Mayor Frank Cox, Paul Hendricks, Robert Muth, Mark Peterson, Amy Weissfeld. Excused Absence: Jenny Taylor

Planning Commission Members: Present: Scott Anderson, Karen Ashley, Chris Ford, Shawn Van Pelt. Excused Absence: Valerie Hoy-Rhodehamel

Staff: Eric Hansen, Nick Hogan, Karl Russell, Ben Shumaker

Public: David Bennett, Kari Fagerness, Julie May, Rick May, Mary Repar, Ben Sciacca, Vickie Sciacca.

Call to Order - 6:00 PM

Meeting

1. INTRODUCTIONS: **COX** opens the meeting and invites round-table introductions. Each attendee states why they are here and what they expect to accomplish at this meeting. Highlights include a willingness to develop a common understanding of issues, a general desire to work together on future actions, and **FORD's** desire to have roads paved in gold and honey delivered to a tap at every home.

2. INTRODUCE BREAK-OUT SESSIONS: **SHUMAKER** discusses the end of the recession and regional indicators of growth and development. He then describes an example property ~6.5 acres in size located on the fringe of the City that will be used during the meeting's 2 exercises. This property is not likely to be developed in the foreseeable future, and the owners do not want these exercises to establish expectations or constraints of their future actions.

   The group is asked to put themselves in the shoes of a developer as they consider the expenditures, revenues, and overall return on investment for various scenarios. Expenditures are based on extensions of the water, sewer, road/sidewalk/stormwater systems for which **HANSEN** has developed costs based on the City's 3 most recent improvement projects. Revenues are based on the number of lots, general assumptions about sales price and sales rate. The base scenario results in a 6-Year, 18% Return on Investment of $368,250:

BASE Scenario Balance Sheet

Expenditures				Revenues				TOTAL
Water	2,300 ft	$200/ft	$460,000	Sales Price	24 Lots	$100,000	$2,400,000	
Sewer	2,700 ft	$225/ft	$607,500	Sales Rate	4/Yr		6 Years	
Roads	1,500 ft	$643/ft	$964,250					
Total Expenditure			**($2,031,750)**	Gross Revenue			**$2,400,000**	
				GRAND TOTAL RETURN ON INVESTMENT				**$368,250**
								in **6** years
				% RETURN				**18%**

ANDERSON is introduced as the facilitator of TABLE A which includes **REPAR, BENNETT, FORD, HOGAN, HANSEN, J. MAY, R. MAY,** and **VAN PELT**. **HENDRICKS** is introduced as facilitator of TABLE B which includes **COX, WEISSFELD, ASHLEY, MUTH, B. SCIACCA, V. SCIACCA, PETERSON,** and **RUSSELL. SHUMAKER** describes his role during the exercises as timekeeper and process observer. **J. MAY** and **MUTH** are selected to take notes and report on behalf of each table.

3. BREAK-OUT SESSION #1—The Property in the City

This exercise focuses on 4 example tools (Gamble, IOU, Money from Heaven, Wild Card) that are available to reduce or delay expenditures during the development process and each table is asked to use test how the tools impact their bottom line and discuss which they prefer.

Gamble represents the Latecomers Agreement tool where a developer funds an improvement project upfront, but is reimbursed over the following 15 years as others connect to their work. Table B's gamble is fully rewarded, but Table A's is impacted by economic stagnation.

GAMBLE Scenario Balance Sheet

Expenditures				Revenues				TOTAL
Water	2,300 ft	$200/ft	$460,000	Sales Price	24 Lots	$100,000	$2,400,000	
Sewer	2,700 ft	$225/ft	$607,500	Sales Rate	4/Yr		6 Years	
Roads	1,500 ft	$643/ft	$964,250					
				Reimbursement (A)	1/Yr for 15 Years	$24,000	$360,000	
Tax	$0/Lot	0 Payments	$0	Reimbursement (B)	4/Yr for 15 Years	$24,000	$1,440,000	
Total Expenditure			**($2,031,750)**	Gross Revenue (A)			**$2,760,000**	
				Gross Revenue (B)			**$3,840,000**	
							GRAND TOTAL RETURN ON INVESTMENT	**$728,250** OR **$1,808,250** in **15** years
							% RETURN	**36%** OR **89%**

IOU represents a Local Improvement District where the City funds an improvement upfront and collects added taxes over a 20 year period. This reduces upfront cost by 2/3rds. However, the added tax on the lots depresses the market and lowers the sales rate. (NOTE: This scenario overinflates ROI because it does not include cost of annual tax for properties still owned by the developer, which would add up to $86,400 over 8 years.)

IOU Scenario Balance Sheet

Expenditures				Revenues				TOTAL
Water	2,300 ft	$200/ft	$460,000 **x 1/3**	Sales Price	24 Lots	$100,000	$2,400,000	
Sewer	2,700 ft	$225/ft	$607,500 **x 1/3**	Sales Rate	3/Yr		8 Years	
Roads	1,500 ft	$643/ft	$964,250 **x 1/3**					
Tax (Not Included in Exercise)	$800/Lot	108 Payments	$86,400	Reimbursement	0/Yr	$0	$0	
Total Expenditure			**($677,250)**	Gross Revenue			**$2,400,000**	
							GRAND TOTAL RETURN ON INVESTMENT	**$1,722,750** in **8** years
							% RETURN	**254%**

Money from Heaven provides a successful public/private partnership scenario where the City obtains outside grant funding for portions of the private project. This reduces the developer's out of pocket costs by 1/3rd without impacting revenues.

MONEY FROM HEAVEN Scenario Balance Sheet

Expenditures				Revenues				TOTAL
Water	2,300 ft	$200/ft	$460,000 **x 2/3**	Sales Price	24 Lots	$100,000	$2,400,000	
Sewer	2,700 ft	$225/ft	$607,500 **x 2/3**	Sales Rate	4/Yr		6 Years	
Roads	1,500 ft	$643/ft	$964,250 **x 2/3**					
Tax	$0/Lot	0 Payments	$0	Reimbursement	0/Yr	$0	$0	
Total Expenditure			**($1,354,500)**	Gross Revenue			**$2,400,000**	
							GRAND TOTAL RETURN ON INVESTMENT	**$1,045,500**
								in **6** years
							% RETURN	**77%**

Wild Card represents an uncoordinated scenario where the City pays some of the developer's upfront costs but is then forced to reduce service levels and implement new taxes as a result. The added tax and lack of predictability depress market forces. (NOTE: This scenario also overinflates ROI because it does not include cost of annual tax for properties still owned by the developer, which would add up to $120,000 over 24 years.)

WILD CARD Scenario Balance Sheet

Expenditures				Revenues				TOTAL
Water	2,300 ft	$200/ft	$460,000 **x 1/2**	Sales Price	24 Lots	$100,000	$2,400,000	
Sewer	2,700 ft	$225/ft	$607,500 **x 1/2**	Sales Rate	1/Yr		24 Years	
Roads	1,500 ft	$643/ft	$964,250 **x 1/2**					
Tax (Not Included in Exercise)	$400/Lot	300 Payments	$120,000	Reimbursement	0/Yr	$0	$0	
Total Expenditure			**($1,015,875)**	Gross Revenue			**$2,400,000**	
							GRAND TOTAL RETURN ON INVESTMENT	**$1,384,125**
								in **24** years
							% RETURN	**136%**

4. BREAK-OUT SESSION #2—The City in the Property

This exercise focuses on 4 additional example tools (Road Diet, Out of the Sewer, Shrink Ray, Scales of Justice) that can be used to reduce expenditures and increase revenues. **FAGERNESS** takes over as facilitator of Table A and each table again is asked to test the tools discuss which they prefer.

Road Diet represents reduction in City standards for the width and amenities provided in a roadway. This reduces up-front costs and adds revenues based on additional area that can be used for more lots instead of roads.

ROAD DIET Scenario Balance Sheet

Expenditures				Revenues				TOTAL
Water	2,300 ft	$200/ft	$460,000	Sales Price	27 Lots	$100,000	$2,700,000	
Sewer	2,700 ft	$225/ft	$607,500	Sales Rate	4/Yr		7 Years	
Roads	1,500 ft	$429/ft	$642,833					
Tax	$0/Lot	0 Payments	$0	Reimbursement	0/Yr	$0	$0	
Total Expenditure			**($1,710,333)**	Gross Revenue			**$2,700,000**	
				GRAND TOTAL RETURN ON INVESTMENT				**$989,667**
								in **7** years
				% RETURN				**58%**

Out of the Sewer represents development occurring on septic systems and reduces upfront expenditures. Because of the larger lot size required, fewer lots are available for sale, but interior water lines and roadways are no longer necessary.

OUT OF THE SEWER Scenario Balance Sheet

Expenditures				Revenues				TOTAL
Water	1,533 ft	$200/ft	$306,542	Sales Price	12Lots	$100,000	$1,200,000	
Sewer	0 ft	$225/ft	$0	Sales Rate	4/Yr		3 Years	
Roads	750 ft	$643/ft	$482,250					
Tax	$0/Lot	0 Payments	$0	Reimbursement	0/Yr	$0	$0	
Total Expenditure			**($788,792)**	Gross Revenue			**$1,200,000**	
				GRAND TOTAL RETURN ON INVESTMENT				**$411,208**
								in **3** years
				% RETURN				**52%**

Shrink Ray represents a 25% reduction in the minimum lot size allowed by the City. This increases revenues without impacting expenditures.

SHRINK RAY Scenario Balance Sheet

Expenditures				Revenues				TOTAL
Water	2,300 ft	$200/ft	$460,000	Sales Price	30 Lots	$100,000	$3,000,000	
Sewer	2,700 ft	$225/ft	$607,500	Sales Rate	4/Yr		8 Years	
Roads	1,500 ft	$643/ft	$964,250					
Tax	$0/Lot	0 Payments	$0	Reimbursement	0/Yr	$0	$0	
Total Expenditure			**($2,031,750)**	Gross Revenue			**$3,000,000**	
				GRAND TOTAL RETURN ON INVESTMENT				**$968,250**
								in **8** years
				% RETURN				**48%**

Scales of Justice is similar to Shrink Ray, allowing lot sizes to be averaged when development barriers (such as steep slopes) exist on the site. In this scenario, revenues increase without impacting expenditures.

SCALES OF JUSTICE Scenario Balance Sheet

Expenditures				Revenues				TOTAL
Water	2,300 ft	$200/ft	$460,000	Sales Price	28 Lots	$100,000	$2,800,000	
Sewer	2,700 ft	$225/ft	$607,500	Sales Rate	4/Yr		7 Years	
Roads	1,500 ft	$643/ft	$964,250					
Tax	$0/Lot	0 Payments	$0	Reimbursement	0/Yr	$0	$0	
Total Expenditure			**($2,031,750)**	Gross Revenue			**$2,800,000**	
				GRAND TOTAL RETURN ON INVESTMENT				**$768,250**
								in **7** years
				% RETURN				**38%**

4. Verbal Summaries: **MUTH** reports on the conclusions of Table B which favor the Gamble/Latecomers Agreement tool because of the greater ROI and Scales of Justice because of the unique neighborhoods that could result. This table does not like the Shrink Ray tool because it is unimaginative and could lead to cramped feeling neighborhoods. **J. MAY** shares Table A's strong preference for Scales of Justice because of the flexibility it allows for developers. She also notes a slight interest in the Wild Card tool. Both tables express their skepticisms about Money from Heaven, and the City's ability to successfully get grants that ease developer costs.

5. Group Discussion—Aha! Moments, Major Barriers, Etc. As members of the full group share their takeaways from the exercises and discussions, several note that the undeveloped lands in Stevenson have more variables than our current zoning and land division codes can account for. As a result, the City comes across as being overly rigid and standing in the way of a healthy culture of development. A solution to this is to add flexibility to these codes by establishing standards for Planned Unit Developments. As part of this solution, the City will have to come to grips with 1) the concept of "housing units" as a potential replacement for "lots" and 2) whether and how home owners' associations can be successful components of the residential growth picture.

Several in the group also identify the empty/half complete developments around town as contributing to a negative perception of the market possibilities in Stevenson. While no specific solutions arise to deal with this problem, but it does lead the group to discuss how the complexity of Stevenson's appeal and amenities—schools, healthcare, small-town charm, weather, etc.—affects the overall market for development. This discussion leads to questions about whether growth is coming at all, whether it will skip over Stevenson because of artificial barriers, and whether we should even want to accommodate growth. There is general consensus that growth is good if done well. The Comprehensive Plan is referred to for guidance on how to make sure how to keep Stevenson, "Stevenson", and there is a general group preference for infill vs. leap-frog development.

5. Council/Commission Goal Setting Session: Members of the public are asked to hold their participation at this time as the City Council and Planning Commission evaluate and decide which tools are pursued in 2017. There is strong consensus for the Planning Commission to initiate a code update to allow Planned Unit Developments (Scales of Justice). Consensus is weaker, but still exists to initiate an update of the public works construction standards for roads (Road Diet). Because the 6 other tools are not a feature of the group discussions consensus is not sought on those items.

Cox adjourns meeting at 8:17 pm.

Approved _____; Approved as amended ______	Approved _____; Approved as amended ______
____________________________________	____________________________________
Frank Cox, Mayor Date	Scott Anderson, Chair Date

Minutes by Ben Shumaker