

Nicholas R. Veroske

3870 NW Banff Drive
Portland, OR 97229-8222
Tel: 503-617-7662
Cell/Text: 503-577-6903
Email: nick@willamette-equities.com

HB 2796

Requires Department of State Lands to develop rules to allow removal and fill of degraded wetlands for needed housing projects by general permit or authorization.

Members of the Committee, Staff and interested parties:

Thank you for addressing this critical issue of non-significant wetlands and their impact on Oregon's housing crisis, especially in rural communities.

Since the EPA adopted their definition of a "wetland" in the 1970s, the term has expanded without regard to the economic costs of upon the human habitat. In the 1970s, land was relatively plentiful and inexpensive and technologies may not have existed to adequately cleanse runoff water before it entered fish habitat. Thus, reliance on water percolation through the soil was important. Now, however, the application of decades-old rules and thinking in the face of today's technologies, population, housing needs and land costs, is taking a real human economic toll. Changes are warranted.

The plight of Sheridan in Yamhill County is an excellent example of the economic tragedy being exacted upon a community.

I have owned nearly 12 acres of residential land inside the city limits of Sheridan since 1997. In 2015, Forest River, Inc., a Berkshire Hathaway subsidiary, working with the Governor's Department of Regional Solutions and Business Oregon, purchased a defunct mobile home manufacturing facility in Sheridan for renovation and would hire up to 250 employees to manufacture RV travel trailers. At the time, no new housing was being built in Sheridan, and none has been built since.

In April, 2016, I began my efforts to develop a manufactured housing park consistent with zoning and housing need, a park I named "Fox Hollow". The objectives of my development were and are:

1. To provide a single-family detached living environment to Sheridan's growing manufacturing workforce earning an estimated \$47,500 annually.
2. To provide at least some single family detached home options for families earning as little as \$35,000, slightly more than the statewide average of \$33,000 for our agricultural workers.
3. To provide an entry-level housing option where first-time homebuyers can start to build equity in a single-family detached home in an attractive, well-maintained and well-managed community.

These project goals are consistent with Governor Brown's 2018 Housing Policy Agenda to expand the housing supply for Rural Communities.

My efforts were brought to a halt in June, 2016, however. The reason: Since purchasing my land and developing a 60-lot workforce housing subdivision on the southerly 10 acres, the slow movement of water across my flat ground, and the lack of annual cultivation of the land, apparently turned the soils "hydric". The State calls this a "wetland" although there is no standing water nor pond or wildlife habitat. This soil type exists in nearly ALL of Sheridan's lands, both residential and employment lands, on its north side, destroying feasible development of those lands, making the lands virtually worthless and harming the community's ability to create both housing and jobs.

My conversations with Forest River, Business Oregon, Regional Solutions and City officials indicated that:

1. Sheridan would need at least 125-150 new homes selling in the \$150,000 range.
2. The new residents would positively impact the local Sheridan economy with about \$3.5 million of annual disposable income and health benefit spending.
3. Struggling Downtown Sheridan businesses would have a new infusion of life.
4. The Sheridan public school system that is operating under capacity could see a resurgence of students, activities and State funding, in addition to the fresh energy of new parents volunteering in the schools.
5. Land that is generating only a few thousands of dollars in property taxes could be generating hundreds of thousands. In fact, I estimate the property taxes from my land alone would rise from \$1,800 per year to \$184,000, a 100-fold increase!

Early in my efforts, I was told that Governor Brown considered Sheridan a "community at risk". Census data from 2010 with 2015 updates show some compelling and worrisome facts:

- Sheridan Median Household Income is only \$37,166, 66% of the state average of \$56,000 and 21% less than the projected manufacturing workforce wages.
- Sheridan's median Income Per Capital is only \$14,433, 50% of the US average of \$28,930.
- Sheridan's population in poverty is 19.4%, 44% MORE than the US average of 13.5%.
- Its population under age 65 without health insurance is 20.7%, DOUBLE the US average of 10.5%.
- Retail sales in Sheridan are under \$62 per \$1,000 of household income, just 25% of the national average of \$256 per \$1,000 of household income. Downtown Sheridan retailers are barely surviving, if at all.
- City Manager Frank Sheridan reports that the lack of new housing prohibits new families from locating in Sheridan which, in turn, is causing a decline in student population which, in turn, is causing a decline in school funding which, in turn, further discourages new families from locating in Sheridan.

An exclamation point is added to all the above by Sheridan's westerly census tract earning the dubious status by State Regional Solutions and Business Oregon as an Opportunity Zones, a definition and program created by Congress in the Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low-income urban and rural communities nationwide.

The US Federal Reserve Board has determined that home owners have an average net worth of \$195,000 MORE than renters at age 65. However, two facts stand out in Sheridan:

1. Wealth through real estate appreciation is not occurring because the community is not flourishing.
2. Absent the application of a logical approach to "wetland" mitigation in Oregon, Sheridan has no clear path to prosperity. Therefore, the conditions I listed above are only likely to get worse.

In November, 2016, I met with officials of the Department of State Lands. Their comments included:

1. Renovate my drain tiles, then in 10 years the soil will have dried out and I could develop.
2. Pay \$705,000 to the Mud Slough Mitigation Bank upon which DSL would issue a permit allowing me to develop my land now.

Both strategies ultimately recognize that the "wetlands" in my soils have no long-term value.

I was also asked to analyze the impact of simply reducing my number of lots. The cost of the land and the linear footage of infrastructure does not change. Reducing the number of lots only raises the cost of each lot and does nothing to meet the housing needs of Sheridan and the housing goals of Governor Brown's Housing Initiative.

The current laws simply exact a cost against the land that make development infeasible. To be specific on this, my analysis of construction costs, buyer affordability, park operating expenses and financing feasibility WITHOUT the \$705,000 wetland mitigation fee shows that homeowners would pay between 33 and 37% of their household income in housing costs. This is over the "30% of income" ratio that Oregon calls "Stressed", although it is still under the 43% ratio that FHA financing allows. Even then, my own return on an investment of nearly \$4.4 million would only be in the range of 2.2% to 3.3% ONCE THE PARK IS FILLED, a return that does not logically offset the risk.

Therefore, the property sits empty, as do many commercial properties in Downtown Sheridan.

My land will continue to sit empty until feasible development can occur. The losers are:

1. Workers forced to commute on Highway 18 between their jobs in Sheridan and their homes in other cities.
2. The environment as their commutes needlessly consume fossil fuels, pollute the air and spew brake dust, not to mention the risk associated with travel on a crowded Hwy 18.
3. The workers, again, with their vehicles depreciating more rapidly as they rack up miles more quickly, a real cost the IRS estimates at \$0.58 a mile or about \$20 every round-trip between Sheridan and McMinnville, \$100 per week, \$400 per month.

4. Families and children whose working parents must spend time commuting rather than parenting and bonding with their children.
5. The Sheridan school system which is losing students as families are forced to live in other communities, resulting in a loss of funding and loss of education quality in the Sheridan school system, plus the loss of parental involvement in their children's school programs and activities such as sports coaching and leadership development.
6. Community services funding from vacant land property taxes vs built-out land taxes.
7. Property owners who, like me, bought their lands years ago as part of a retirement strategy and now find their land basically worthless.
8. Downtown commercial property owners whose businesses or tenants struggle for lack of patrons.
9. Employers who can't find workers because the workers who prefer to live near their place of employment can't find housing. Even the City of Sheridan was stymied for several months in its efforts to find a new Public Works Director because interested candidates could not find housing within the City.
10. The entire populace of the City of Sheridan loses as property values deteriorate under the weight of all of the above, a fact that is proven by US Census showing the median value of an owner-occupied home in Sheridan is only \$147,500.

Who are the winners? I don't know.

... Certainly not the environment due to the costs as noted above.

... Certainly not the mitigation banks. The cost burdens imposed by them makes rural development of affordable and workforce housing infeasible. Thus mitigation credits don't get purchased.

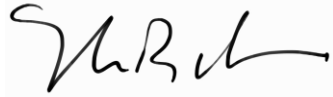
... Certainly not Oregon taxpayers who, in the last biennium, funded Oregon Housing and Community Services with \$1.2 BILLION to help its lower income citizens find affordable housing, housing that simply does not exist.

... Certainly not new residents who come to Oregon only to find that the lack of housing supply has driven up the median price of homes to north of \$450,000, a cost that requires annual incomes are between \$80,000 and \$115,000 just to afford to buy a home for their families. Stated another way, it would take 3-4 agricultural-worker families pooling their resources to buy a median-priced home. It would take 2-3 manufacturing/assembly-worker families pooling their resources to buy a median-priced home. Even in neighboring McMinnville, as of March 12, there were only 48 homes priced under \$450,000 with the LEAST EXPENSIVE HOME in the entire city priced at nearly \$200,000.

I urge this Committee and the State Legislature to pass this bill, and encourage that this Needed

Housing Project, and others, can proceed, helping save at-risk communities such as Sheridan, and helping to make a contribution go the Governor's goal to increase the supply of rural affordable and workforce housing in Oregon.

Thank you for your time and interest in pursuing at least one solution to the very serious crisis affecting Oregon's communities and families.

A handwritten signature in black ink, appearing to read 'Nick Veroske', is centered on a light gray rectangular background.

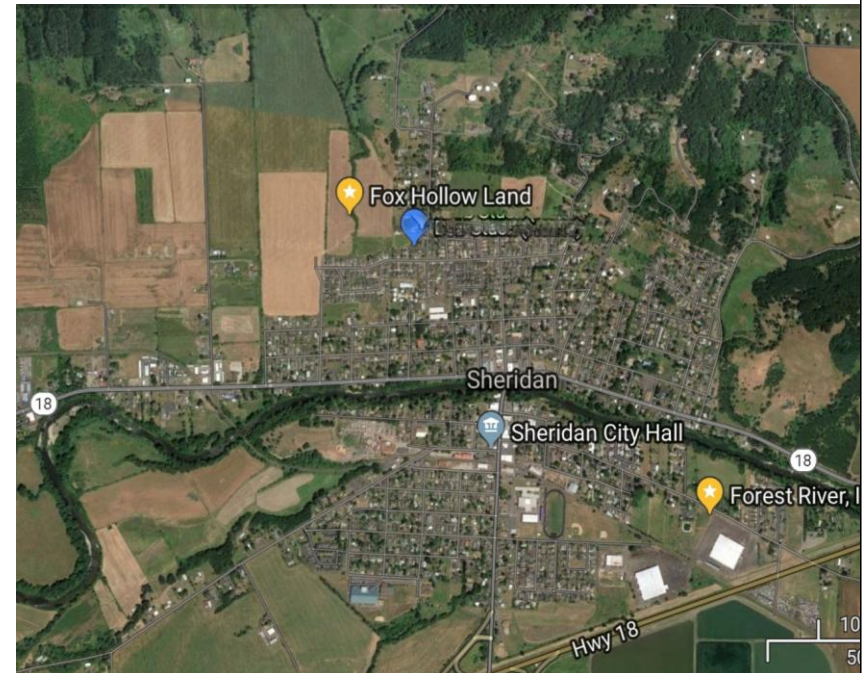
Nick Veroske

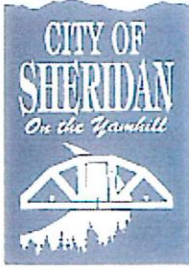
Submitted via email March 15, 2019, to:
haglu.exhibits@oregonlegislature.gov attn Laura

Immediate Right: “Fox Hollow” MHP development land inside Sheridan’s City Limits, zoned for Medium-Density Residential.

Far Right: City of Sheridan’s North side, basically all residential and employment lands classified as “Wetlands”. Also shows location of Forest River’s 250-300 employee RV trailer manufacturing buildings (2 at 110,000sf each).

Two lower photos: State of the land on Sept. 13, 2017. (Tile broken at drainage ditch.)





City of Sheridan

120 S.W. Mill Street • Sheridan, Oregon 97378

City Hall • Municipal Court (503) 843-2347

Police Department (503) 843-2431

Fax (503) 843-3661

March 14, 2019

Mr. Nick Veroske
3870 NW Banff Drive
Portland, OR 97229-7662

RE: HB 2769, Wetlands

Dear Mr. Veroske,

Please accept this letter in support of your testimony for HB 2796 regarding wetlands and their effect on providing workforce and affordable housing in the City of Sheridan, and in other cities where marginal wetlands are zoned for residential uses.

The term "Nonsignificant Wetland Resources" is sometimes used which may be the same or similar to "marginal wetlands."

Within the Sheridan urban growth boundary (UGB) and City Limits are dozens of acres of marginal wetland properties that are designated Residential on the Sheridan Comprehensive Plan Map and zoned Residential Low Density (R-1) and Residential Medium Density (R-2) on the Sheridan Zone Map.

The City understands the rate to mitigate development on wetlands is about \$70,000 per acre which adds to the cost of workforce housing and affordable housing in Sheridan and in other cities throughout the State with residentially zoned wetlands.

The City has discussed the \$70,000 per acre cost for wetland mitigation with residential developers and believes it has retarded residential development in the City. Despite the City's economy, which is based on lumber and wood products companies, a Federal Prison and Spirit Mountain Casino, recovering over the last 10 years from the Great Recession, there has been almost no new residential development. Two years ago Forest River, Inc., one of America's leading manufacturers of recreational vehicles, travel trailers, fifth-wheels, utility trailers, pontoon boats and buses with manufacturing facilities throughout the west coast and Midwest, purchasing a 25 acre industrially zoned site in Sheridan and renovated a 100,000+ square foot building and hired about 130 new employees within the past year, no applications for subdivisions or apartments have been submitted to the City. Forest River, Inc., is now renovating the second 100,000+ square foot building on their site and later this year will hire another 100+ new employees.

Page 1 | 2

The almost nonexistent residential growth in the City has resulted in low numbers of students in the Sheridan School District which has a direct effect on their revenue because the District receives State funds based on enrollment.

The City's downtown businesses have not experienced growth and new businesses moving into the City have been few and far between. There have been no new businesses in new buildings.

Property tax receipts have not increased significantly thereby enhancing the City General Fund because very little new development has occurred. The City's services such as Parks and Recreations that are supported by the General Fund cannot grow and be improved to attract new residents.

The City needs affordable housing and workforce housing, but Mr. Veroske's approximately 77 unit manufactured home park development has been stymied by the wetland mitigation cost.

The City, Mr. Veroske and Forest River, Inc. are in contact with one another. Forest River, Inc. is supportive of the City and Mr. Veroske providing new affordable and workforce housing because they want their workers who would prefer to live near their workplace to find housing in Sheridan.

Sincerely,

A handwritten signature in cursive script, appearing to read "F. Sheridan".

Frank Sheridan
City Manager