



REQUEST FOR COUNCIL ACTION

Title: Vacant Building Fees

Preferred Agenda: May 10, 2022

Submitted By: Blair Larsen, Community & Economic Development Director

Reviewed By: Christy Wurster, City Manager Pro Tem

Type of Action: Resolution ____ Motion X Roll Call ____ Other ____

Relevant Code/Policy:

Towards Council Goal: Vision Statement, Aspiration V: Economically Strong Environment; Goal 4.2: Lead Economic Development Efforts

Attachments: Illinois Vacant Building Ordinances
New Mexico Vacant Building Ordinance White Paper

Purpose of this RCA:

The purpose of this RCA is to respond to a Council request to research vacant commercial building fees.

Background/Context:

The City of Sweet Home suffers from a high number of vacant commercial and industrial buildings. While it can often be difficult to sell such properties or find a tenant, vacant buildings often fall into disrepair, become a target for vandalism or squatting, and generally bring down the appearance of the area. This condition makes it even harder to sell such properties or find good tenants.

At several meetings, the City Council has identified the vacant commercial building problem as a priority and indicated a desire for the City to take more action on the problem.

The City currently has an ordinance in place that requires property owners to notify the City of vacant buildings, maintain their properties in watertight and secure condition, and have a local property manager assigned to the property. The ordinance also enrolls such properties into the Police Department's voluntary business watch program and allows the City to create a database of available properties. This ordinance has been in place for about a year and a half.

At the April 25th Council meeting, the Council directed staff to research potential models that other cities use for vacant commercial buildings to address the problem in the best interests of the community. In the brief time since the last Council meeting, Staff have researched the issue as much as possible, and learned the following:

Goals

Staff have found the two attached guides for vacant building regulations, one out of New Mexico, and another from Illinois. Both have very helpful information. One of the primary recommendations is to carefully lay out the goals of the program, and tailor the ordinance and fee closely to those goals. This will increase the likelihood of success and decrease unfair burdens on property owners who are unable to find tenants for their properties, despite actively marketing them.

If the goal is to have productively occupied commercial buildings, it is unlikely that increased regulation or fees will achieve the desired result. The success of commercial spaces relies too much on demographics and the overall market, and solid commercial lessees are much more difficult to find than residential tenants. However, if the goal is to address appearances and encourage the sharing of information, a carefully crafted program can be successful. For example, the City could require well-lit display spaces and exterior lighting, or make peeling paint and out-of-date business signs a code violation.

Fees

While there are other cities in Oregon with similar vacant building ordinances, most charge a minimal fee. Veneta has an escalating fee for non-compliant buildings that are abandoned, vacant, or distressed—it increases \$50 per year, up to a maximum of \$750 annually. Happy Valley also has an escalating fee, topping out at \$550, annually for vacant/distressed properties. Hillsboro charges escalating fees as well, which have reached nearly \$20,000; however, their ordinance applies only to residential property and is aimed at foreclosed properties.

While Staff have not had time for an exhaustive search, other states seem to have a range of fees, from very low (\$25 or so a year) to quite high (\$500 charged four times a year). Those that charge high fees tend to escalate them over time, based on the duration of the vacancy. Cities that have higher fees also tend to have waivers for properties that have a valid building permit or are actively listed for sale or lease. All the literature that Staff have found recommend waiving fees for properties that are making improvements (renovations, active real estate listings, etc.)

Staff recommend tying the fee to the cost of the program, specifically, the amount of time that the Code Compliance Officer spends enforcing the ordinance and any fees. Fees should have some connection with the City's costs for the program, and the impact of vacant buildings upon the City. If the fee is not justified by the cost of the program, it will appear more like a tax than a fee. In addition, if the fee is too high, it may be viewed by a court to be an excessive punishment—that is, a court may declare that the punishment doesn't fit the crime.

Timing

The Council should carefully consider the overall timing of increased regulation. Commercial property has been in decline even before the pandemic, due to an increase in e-commerce (such as Amazon) and the focus on large chains and big box stores. The pandemic has added to the difficulty of filling commercial spaces with an increased number of people working from home, rather than in commercial office space. The recent increase in inflation and blockages in the supply chain for building materials of all kinds, and rising interest rates make the present a difficult time to ask property owners to renovate or sell their properties.

Other Options

Before the Council considers charging a high fee for vacant buildings, it may be worth considering other options, such as increasing enforcement of existing ordinances, or smaller changes in the City Code.

Illegal uses: Some of the commercial buildings in the City that appear vacant, are actually in use—as storage. In the Central Commercial Zone, this is not a permitted use, and requires a conditional use permit. This is a violation of City code but has not previously been a large part of our code compliance efforts, which are typically focused on more visible violations, such as open storage of junk, tall grass and weeds, and occupied recreational vehicles.

Lighting: the City could add a lighting standard for commercial properties in the Central Commercial zone. Requiring store fronts to be lit at night could improve security and make properties appear less vacant. This lighting standard could include both exterior lighting (such as under awnings or next to doorways), and interior lighting of front display windows.

Windows and Display Areas: boarded-up or papered windows make an area feel more vacant and dilapidated. The City could require that windows facing a public right-of-way must be covered by attractive blinds, or must include an interior display area. In addition, the development code could be amended to require downtown buildings to maintain windows over a percentage of their frontage—that is, ban the practice of removing windows and replacing them with non-transparent materials such as masonry or siding. In addition, the City could create a partnership with SHOCASE or the School District to display residents' or students' artwork in vacant buildings.

Old Signs: Removal of signs advertising defunct businesses could help vacant buildings look more available and attractive to potential tenants. However, if this is required, the City must ensure that empty illuminated sign frames don't remain—they should either be removed entirely, or the sign should be replaced with a blank white filler.

Insurance: Some vacant building ordinances require property owners to prove property insurance coverage. This ensures that the property is further protected from deterioration and may give property owners adequate funding to make repairs after a qualifying claim.

Vacant Building Plan: Another requirement often found in vacant building ordinances is that property owners submit a vacant building plan, indicating the owner's schedule for maintenance, security, and rehabilitation, if needed. Such plans also can include plans for bringing the property into conformance with City Code, as well as marketing plans for the sale or lease of the property.

The Challenge/Problem:

How does the City address the problem of vacant commercial buildings?

Stakeholders:

- Sweet Home Commercial Property Owners – Property owners are responsible for the maintenance and management of their own properties.
- Sweet Home Residents – Residents deserve safe and well-kept commercial areas.
- Sweet Home Businesses – Local businesses benefit from well-maintained commercial building stock for their current and future operations.
- Sweet Home City Council – The City Council is responsible for adopting ordinances and policies that accomplish the City's purposes and goals.

Issues and Financial Impacts:

Increased regulation will require increased enforcement efforts. In the absence of additional budget or personnel, the Council should consider which provisions of the City Code are a higher priority for enforcement.

Elements of a Stable Solution:

A stable solution includes changes in City code, policy, or procedures that are enforceable, and improve the condition and appearance of vacant commercial buildings in the City.

Options:

1. Do Nothing – The Council could choose to do nothing at this time.
2. Schedule a City Council Workshop to Examine the Issue – A workshop will allow the Council to discuss the issue in greater detail, so that the unintended consequences of any changes can be minimized.
3. Direct Staff to Research Other Options – The Council may direct staff to research other ways to improve the City's commercial areas.

Recommendation:

Staff recommends option 2: Motion to Schedule a City Council Workshop to Examine the Issue.