

RECEIVED

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by

Mark Haneberg, J.D.  
657 Prim Street  
Ashland, OR 97520  
(541) 488-4719

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Barbara Christensen  
City Recorder  
City Hall, 20 East Main St.  
Ashland, OR 97520  
(541) 488-5307

**RE: Application for City of Ashland Council Position #6**

Lack of housing that meets the needs of people living and working in Ashland continues to be the most important problem facing our city. Statewide planning Goal 10 begins with the beautiful and compassionate aspiration that our “plans shall encourage the availability of adequate numbers of needed housing units at price ranges and rent levels which are commensurate with the financial capabilities of Oregon households and allow for flexibility of housing location, type and density.”

Goal 10 is not enforceable in terms of results. Ashland is, however, deeply and tragically in violation. Goal 10 requires only periodic inventories that quantify our regional and local failures. During the Regional Problem Solving process, presentations were made that identified a large regional deficit in affordable housing. Ashland debated and decided 15 years ago to solve the problem with infill and higher density—statements motivated by our committed and qualified representatives who asserted that Ashland would show the region how to do things right by proving that housing demand could be met with our adopted strategies.

Ashland failed. As it was 15 years ago, people who love Ashland and people who work in Ashland cannot afford to live in Ashland. The situation has worsened during our 15 years of addressing this problem.

When I practiced law, I got a close-up look at an element of the housing problem in Medford and in Jackson County wherein the only housing options for low-income families were substandard and dangerous rentals infested with mold and rats, asbestos, lead and fire hazards. These rentals poison the families living there and poison our communities. Under our system, rentals can reach a level of decay wherein the landlord profits by causing illness, bloodshed and brain damage because the costs fall not only on the victims but are shifted to the community—schools, hospitals, charities and the safety net of governmental assistance pay the price of slumlord profits. It broke my heart. It was and is a vicious circle.

If it is wrong to hurt a child with an instrument, like a stick, why is it good business to hurt a child with a different instrument, like a moldy, rat-infested rental?

Sociologists refer to the unintended consequences of public policy. The most famous example is how some poor people in the 1980s adapted to government aid offered to families with dependent children—by starting families without fathers to qualify for aid. In our system, we offer legal protection and other aid to landlords who hurt children, families and community with substandard and dangerous

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Confirmed lives w/in city limits  
& registered to vote RD

rentals. The unintended consequences include not only the shifting of costs, but the spread of physical and moral decay.

Ashland contributes to the problem with policies that protect and increase property values by excluding people who work here from living here. Ashland externalizes housing demand thereby contributing to slum conditions in our region. *Inclusive* policies to protect and increase property values, if they could be formulated, would eliminate the awful unintended consequences of the present situation. I'll return to this subject later in my letter.

Recently, I joined two other citizens to stop Central Point from permitting a Costco superstore in an industrial zone near the Rogue Valley International Airport. My reasons reveal elements of my philosophy of government.

First, the entrance to the airport is currently protected by adjacent low-traffic industrial uses. A high-traffic retail use is incompatible with this location and with regional and local zoning and transportation system plans. A good transportation system would provide speedy and efficient access to an international airport. Costco traffic would endanger that valuable access. Good government would not only protect that access but keep industrial-zoned land for industrial uses.

Corrupt government rewards powerful people while ignoring or punishing the unrepresented or underrepresented. In the short term, Costco traffic—10,670 new daily trips—would cause the Table Rock and Airport Road intersection to operate ten times worse than failure. Costco would cause 60 to 120 minutes of congestion in areas not normally congested. In the long term, Costco traffic will make sections of Table Rock Road even more dangerous than they are today. Good government would not endanger the people who live along Table Rock Road and would not endanger people driving on Table Rock Road.

Because industrial zones are an essential element of any balanced local and regional economy, Central Point should not convert its industrial land into commercial retail use. Central Point has land zoned for commercial retail use adequate for a Costco superstore. Why would Central Point turn away from its commercial zone to site Costco in its industrial zoned land?

The next three paragraphs contain highly detailed background information on the reason why Central Point wants to use its industrial land instead of its commercial land for commercial use.

On October 5, 2005, developer Cris Galpin purchased the 23.63-acre site from Modoc Orchards for \$4,850,000. On January 4, 2008, Galpin borrowed \$5,000,000 from PremierWest Bank and developed access to the eleven industrial-zoned lots. On July 18, 2008, Galpin sold a 2.36-acre lot to Lodge Number 1168 of the Benevolent and Protective Order of Elks for \$796,059.00. This sale established a probable appraised value of \$7,174,650 for the remaining ten lots, a total of 21.27 acres.

PremierWest Bank made many high-risk loans during the housing bubble. The bank officers participated in the fallacy that property values would always increase. The bank officers did not recognize that fraudulent loans and inflated appraisals were driving the apparent values. The bubble broke. On August 31, 2010, Galpin signed a Forbearance Agreement with PremierWest that anticipated the sale of 15.64 acres to Costco for \$3,315,680. That sale didn't happen. On January 6, 2012, Galpin transferred the property to PremierWest Bank with a Deed in Lieu of Foreclosure. The bank added the 21.27 acres to its other OREO—other real estate owned—property.

Because of its high-risk loans, the bank was in trouble. The bank had loaned more than its credit limit of \$25,000,000 to Galpin, and may have hidden troubled assets to create the illusion of solvency. The bank entered into the federal TARP—Troubled Asset Recovery Program—and issued preferred, 5% dividend-paying stock to the federal government in exchange for \$41,400,000. In October 2012, the troubled bank announced that it would be acquired through a merger agreement. The acquiring bank would repay the federal government and pay \$1.65 per ordinary share.

Now things get interesting. At this moment in time, PremierWest Bank is in a merger agreement and is operating with federal funds. It owns the 21.27-acre property instead of the \$5,000,000 it loaned against the property. The actual sale of one lot to the Elks before the bubble broke established a probable value of \$7,174,650; the proposed sale to Costco after the bubble broke established a probable value of \$4,509,240 for the property. Almost certainly, the property was and is worth at least the amount lost by the bank—\$5,000,000.

What did the bank do? It arranged a deal wherein the Treasury Department forgave the bank \$6,200,000 in unpaid dividends and interest. Then, on December 28, 2012, it sold the property to an entity controlled by the adult son of the bank's largest shareholder for \$1,250,000. This is kith and kin to white-collar crime. But the payoff all depends on Central Point and on Mayor Hank Williams.

Central Point Mayor Hank Williams is retired from PremierWest Bank. Under Mayor Williams, Central Point applied to itself for a ruling that an intense retail use is similar to an industrial use on this site. After many episodes that resembled due process, Central Point ruled in favor of its own application. On my appeal, the Land Use Board of Appeals ruled in favor of Central Point. It looks like the entity controlled by the adult son of the bank's largest shareholder walked out of the bank with a free \$3,750,000. Probably more, as Mayor Williams has worked tirelessly to increase the value. Why didn't that money go to the Treasury Department? Why doesn't the Treasury Department collect it now?

This is the type of government I oppose.

What I have described is a capital structure wherein powerful people profit at the expense of others. I have described the slum in our machinery of government and finance.

Many non-profit organizations work to mitigate the damage. Regulatory barriers constrain and limit their effectiveness and in many cases turn intended good works into support for the injustice in the system. Many good people have advanced solutions or partial solutions to the affordable housing problem and most have been turned aside by government—usually because existing land use laws do not favor affordability.

On Wednesday, January 25, 2017, the Ashland Daily Tidings continued its reporting on the application by the Rogue Credit Union for a branch office at 1651 Ashland St. The story indicates that the credit union included a non-binding proposal to enable 24-32 affordable housing units in exchange for a variance. The story states that the affordable housing would be developed in partnership with an unnamed nonprofit community group.

I remember that, during the Regional Problem Solving process, a landowner adjacent to the city proposed a substantial affordable housing development if his property was brought into the city. His proposal was rejected.

Perhaps 20 years ago, a proposal was made to develop 5,000 affordable houses on land north of

Medford along Highway 62. To keep costs down, the homes would have been mass produced. That proposal was rejected.

The credit union paid \$17.22 per square foot for its two lots. The one-acre lot that could be used for affordable housing cost about \$750,000. Thirty-two 400-square-foot apartments could cost about \$1,500,000 to build, for a total cost of \$2,250,000. The going rate for rental apartments is probably about \$1.25 per square foot, about \$500.00 per month or \$6,000 per year—about 1/3 of an \$18,000 yearly income.

For the investor who can pay 15% down, the mortgage would probably run \$9,000 per month with a \$1.5 million balloon payment after 10 years. Property taxes, repairs, utilities, garbage collection, insurance, property management and capital expenditures would have to be paid. The apartment building can generate a maximum income of \$16,000 per month at full occupancy and without an occasional vacancy, which is inevitable. Already, it looks like there will be no net operating income and a negative cash flow. It's a one-way ticket to bankruptcy.

This example shows that Ashland property is too expensive for affordable housing. To have affordable housing, land must be affordable. Even with affordable land, building costs and the costs of ownership must be manageable.

A few years ago when I practiced law, an investor paid 30% down on a moldy \$80,000 Medford duplex with flaking lead paint, a leaking roof and dangerous electricity. The mortgage ran about \$330 per month. Property taxes were low. The duplex generated \$1,500 per month. These are the kinds of numbers that excite investors to invest in harmful properties: these are the kinds of financial numbers that are needed for safe affordable housing to become available.

It is a great and complex puzzle.

On the good side, I believe this is a problem of not knowing everything that humanity knows. There must be ways to produce safe, desirable housing using less expensive materials and techniques. There must be a place where these homes will not offend those already established in the community.

On the difficult side, I fear that the only inexpensive land is that which is not suitable for farming but excluded from our urban boundaries and available only with legal permission from the state, agreement by the landowner, and by Ashland resolution or ordinance.

On the exciting side, a virtual pilot project followed by a physical demonstration project could be developed relatively quickly. If we are allowed to experiment, then a solution becomes much more probable.

Even more exciting is the prospect that some people, not just a government on behalf of the people, could be empowered to experiment.

I believe that Goal 10 can be a reality.

I believe the time is right for Ashland's heart to grow and to embrace affordable housing. With the repeal of the Affordable Care Act, and with the possible conversion of Medicaid to lower block-grant funding, combined with ever-rising health-care costs, it is possible that more of our parents, peers and children will be bankrupted by the costs of an illness or disease. The new administration will cause the

monetary safety net to shrink. Therefore, I propose a physical safety net—affordable housing. Before the 2016 election, it was politically impossible for Ashland to become a complete community—to have all the rungs on our housing ladder. I believe changed circumstances have made it politically possible for Ashland to embrace affordable housing.

Also, a much greater need for affordable housing might arise beyond those suddenly impoverished by the costs of treating illness and disease. Futurists have raised the possibility that AI and CNC robots and self-driving trucks will replace many workers and leave a much larger proportion of our population unemployed. It would be much better to have housing options ready for this possibility than to wake up to an enlarged population of homeless people camping under tarps along Bear Creek.

I believe that the mission of any government official should be to enable freedom. In my view, the most important guiding principle for the present is that

We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness. — That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed.

A government official should enable citizens to develop. Government should support citizens in achieving personal and professional goals. We know that people are willing to walk an Oregon Trail of difficulties just to have freedom and opportunity.

Our great opportunity is to learn about freedom. The only barriers we should have are those that prevent people from harming other people and from harming our shared planet. We should have knowledge of freedom so that we can share training, advice and guidance. Good government coaches. It enables everything good for people and planet. That's why I'd like to serve a short term as an appointed member of the City Council.

Thank you,

A handwritten signature in black ink, appearing to read 'Mark Haneberg', written in a cursive style.

Mark Haneberg