

DATE: July 31, 2019  
TO: Tualatin Housing Needs Analysis Project Advisory Committees  
CC: Karen Perl Fox, Steve Koper, and Jonathan Taylor  
FROM: Beth Goodman and Sadie DiNatale, ECONorthwest  
SUBJECT: DRAFT: TUALATIN HOUSING STRATEGY

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The City of Tualatin contracted ECONorthwest to develop a Housing Needs Analysis and a Housing Strategy for Tualatin. The Housing Needs Analysis will determine whether the City of Tualatin has enough land to accommodate 20-years of population and housing growth. It will characterize housing affordability problems and identify gaps in housing affordability in Tualatin. The Housing Needs Analysis will provide the basis for an update to the City's Comprehensive Plan Housing Element, as well as development of an action plan to implement the housing policies (i.e. the Housing Strategy).

The HNA uses a planning period of 2020-2040. Tualatin is planning for minimum growth of 1,014 new dwelling units within the Tualatin city limits and the Basalt Creek area over the 20-year planning period. The results of the HNA show that Tualatin has a deficit of land designated for housing in the Medium High Density Residential and High Density / High-Rise Residential comprehensive plan designations. While the HNA works with the forecast of growth of 1,014 new dwelling units through 2040, the City may consider potential growth residential growth beyond this forecast as part of development the City's housing strategies in the Tualatin 2040.

A key objective of the HNA and accompanying 2020 housing strategy is to identify options for changes to the City's comprehensive plan and land use regulations needed to address housing and residential land needs. This memorandum presents a Housing Strategy for Tualatin, based on the results of the HNA, and discussions with the Community Advisory Committee (CAC) and Technical Advisory Committee (TAC). The housing strategy presents a comprehensive package of interrelated policy changes that the CAC and TAC recommend the City address.

This housing strategy recognizes that the City does not build housing. The strategy focuses on land use tools to ensure there is adequate land planned and zoned to meet the variety of housing needs and opportunities for a variety of housing types, whether market rate or subsidized. This strategy strives to provide opportunities for lower-cost market rate housing, to the extent possible, to achieve more housing affordability without complete reliance on subsidies, if and when possible and to include subsidized housing as an important tool to meet the need at the lower end of the income spectrum (low, very low and extremely low) in the mix of strategies.

The housing strategy addresses the needs of households with middle, low, very low, or extremely low income. The following describes these households, based on information from the Tualatin Housing Needs Analysis.

- **Very low-income and extremely low-income households** are those who have an income of 50% or less of Washington County Median Family Income (MFI)<sup>1</sup> which is an annual household income of about \$41,000 or less for a family of four. About 31% of Tualatin’s households fit into this category. They can afford a monthly housing cost of \$1,018 or less.<sup>2</sup> Development of housing affordable to households at this income level is generally accomplished through development of income-restricted housing.
- **Low-income households** are those who have income of 50% to 80% of Washington County’s MFI or income between \$41,000 to \$65,000 for a family of four. About 15% of Tualatin’s households fit into this category. They can afford a monthly housing cost of \$1,018 to \$1,625. Households with income below 60% of MFI typically qualify for some types of income-restricted housing. The private housing market often struggles to develop housing affordable to households in this group, especially for the lower income households in the group.
- **Middle-income households** are those who have income of 80% to 120% of Washington County’s MFI or income between \$65,000 to \$98,000 for a family of four. About 15% of Tualatin’s households fit into this category. They can afford a monthly housing cost of \$1,625 to \$2,400. The private housing market may develop housing affordable to households in this group.

Through the technical analysis of the HNA and input from the CAC and TAC, the City identified six strategic priorities to meet housing needs identified in the HNA. Strategic priorities are described in greater detail in the section below. Appendix A presents the full text of Tualatin’s existing Comprehensive Plan policies for housing. Appendix B presents the information provided to the CAC in the memorandum Housing Policy Tools to Address Needs (dated May 16, 2019).

## Tualatin’s Housing Strategy

Tualatin’s housing strategy is organized around six broad strategic priorities: (1) ensure an adequate supply of land that is available and serviceable; (2) encourage development of a wider variety of housing types; (3) identify strategies to support affordable housing; (4) evaluate funding tools to support residential development; (5) identify redevelopment opportunities; and (6) ensure there are connections between planning for housing and other planning (such as transportation planning, water and wastewater planning, or economic development planning). The broad goal of the Tualatin housing strategy is to help the City manage the land within the Tualatin planning area to meet current and future housing needs while maintaining the character and quality of life in Tualatin and protecting public interests such as housing affordability, health, safety, and municipal revenues.

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<sup>1</sup> Median Family Income is determined by the U.S. Department of Housing and Urban Development. In 2018, Washington County’s MFI was \$81,400.

<sup>2</sup> This assumes that households pay less than 30% of their gross income on housing costs, including rent or mortgage, utilities, home insurance, and property taxes.

The Tualatin CAC convened seven times between March 2019 and September 2019. The CAC discussed housing at the meetings in March, May, August, and September. The Tualatin TAC met four times between April 2019 and September 2019 and discussed housing at all four meetings (while some meetings included discussions of other topics, as well). The CAC and TAC provided input, through discussions at meetings and opportunities for input on written document, into development of the Housing Strategy.

The recommendations from the CAC and TAC in this strategy consider key findings from the HNA, such as the following examples. The City has a long-term deficit of residential land. The housing market is not building enough housing that is affordable to households with annual incomes less than \$35,000 based on U.S. Census American Community Survey data. The housing market in Tualatin also has a deficit of housing affordable to households earning more than \$150,000.<sup>3</sup> The composition of Tualatin’s population is becoming older and more diverse. This document presents a comprehensive strategy that provides a variety of opportunities to meet the housing needs of Tualatin’s residents at all income levels.

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Note to CAC: We will flesh the two paragraphs out further as we continue discussions and finalize the Housing Strategy.

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Many of the actions described in the Tualatin Housing Strategy will require legislative amendments to the City’s comprehensive plan and/or development code. These actions will be subject to standard notification and hearing procedures. After the housing needs analysis is completed, the Planning Commission and City Council will prioritize the actions suggested in this memorandum, along with other actions suggested for Tualatin 2040. Implementation of high priority actions will begin in 2020, based on City Council direction.

## Summary of Actions

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Note to CAC: A future version of the Strategy will have a summary in it.

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<sup>3</sup> This analysis is based on Exhibit 79 in the Tualatin Housing Needs Analysis.

## Strategy 1: Ensure an adequate supply of land that is available and serviceable

This strategy is about ensuring an adequate land supply—not only a twenty-year supply (as Goal 10 requires) but also a pipeline of serviced land that is available for immediate development. The following recommended strategies and actions are intended to ensure an adequate supply of residential land through a combination of changes to the Tualatin Development Code, re-zoning land, and long-term regional planning for housing. Efficient use of Tualatin’s residential land is key to ensuring that Tualatin has adequate opportunities to grow from 2020 to 2040, and beyond.

### Issue Statement

Tualatin’s residential land can accommodate about 2,100 new dwelling units, including land within the city limits and Basalt Creek. The forecast for housing growth over the next 20-years is for 1,041 new dwelling units. The results of the HNA show that Tualatin has a **surplus** of capacity for new housing in the Low Density Residential, Medium Low Density Residential, and High Density Residential plan designations but a **deficit** in the Medium High Density Residential and High Density / High-Rise Residential plan designations. Tualatin has a deficit of 103 dwelling units in the Medium High Density Residential designation and a deficit of 101 dwelling units in the High Density / High-Rise Residential designation.

Tualatin has enough land within its planning area to accommodate the forecast for new housing. The existing zoning, however, leads to deficits of land in the Medium High Density Residential and High Density / High-Rise Residential plan designations. Oregon’s Statewide Planning System requires cities that do not have enough land within their UGB (or in selected plan designations) to evaluate and implement policies to increase land use efficiently, expand the UGB, or both.

Tualatin is part of the Metro UGB and cannot expand its planning area on its own. Tualatin can, however, increase land use efficiency within its planning area, through re-zoning land or planning for redevelopment to meet the needs in the Medium High Density Residential and High Density / High-Rise Residential plan designations. In addition, Tualatin can monitor growth to ensure that the city continues to have sufficient land for residential growth and work with Metro and other regional partners on future expansions of the Metro UGB to accommodate additional residential development in Tualatin.

Tualatin not only needs land that is vacant but also has urban services that support residential development, such as municipal water service, sewer and wastewater service, storm water management systems, and transportation connections with adequate capacity to accommodate growth.

### Goal

Ensure that sufficient land is designated so that the supply is adequate for all needed housing types at needed densities. Consider the development-ready residential land supply as part of

ongoing functional planning efforts to provide necessary urban services in support of residential development.

### Recommended Actions

Note to the CAC: Below are actions suggested by the CAC in prior discussions.

Note to the CAC: We fleshed out Action 1.1 as an example of how we will flesh out the actions. Some of the description of actions will be more detailed (like the description below in Action 1.1) and some will be just a few sentences long.

#### Action 1.1. Evaluate opportunities to increase development densities within Tualatin’s existing zones.

This approach seeks to increase housing capacity by increasing allowable density in residential zones. In short, it gives developers the option of building to higher densities. Higher densities increase residential landholding capacity. Higher densities, where appropriate, provide more housing, a greater variety of housing options, and a more efficient use of scarce land resources. Higher densities also reduce sprawl development, adds tax revenue that benefits the City as more units can be built and makes the provision of services more cost effective.

This action will look at increasing allowed densities in the comprehensive plan and decreasing minimum lot size standards and/or allowable densities in all residential zones.

Tualatin could modify the density ranges outlined in the Tualatin Development Code. These are currently:

- Residential Low (RL): 1 -6.4 dwelling units per acre
- Residential Medium-Low Density (RML): 6-10 dwelling units per acre
- Residential Medium-High Density (RMH): 11-15 dwelling units per acre
- Residential High Density (RH): 16-25 dwelling units per acre
- Residential High Density / High Rise (RH/HR): 26-30 dwelling units per acre

With respect to zoning, Tualatin presently has the following zoning standards:

P is permitted, C is conditional, and N is not permitted

Minimum Lot size is in square feet and maximum density is in dwelling units per acre (du/ac)

Zone	Single-Family Detached	Manufactured Home on a Lot	Accessory Dwelling Unit	Manufactured Home Park	Duplex	Townhouse	Multi-family
<b>Residential Low (RL)</b>							
Allowed uses	P	P	P	N	C	C	C
Minimum Lot Size	6,500 average	6,500 average	-		6,000	6,000	6,000

Zone	Single-Family Detached	Manufactured Home on a Lot	Accessory Dwelling Unit	Manufactured Home Park	Duplex	Townhouse	Multi-family
Maximum Density	6.4 du/ac	6.4 du/ac	Accessory to lot with single family dwelling		6.4 du/ac	6.4 du/ac	6.4 du/ac
<b>Residential Medium-Low Density (RML)</b>							
Allowed uses	C	N	P	P	P	P	P
Minimum Lot Size	4,500				4,356*	1,400	4,356*
Maximum Density	10 du/ac			12 du/ac	10 du/ac	10 du/ac	10 du/ac
<b>Residential Medium-High Density (RMH)</b>							
Allowed uses	N	N	N	N	P	P	P
Minimum Lot Size					2,904*	1,400	2,904*
Maximum Density					15 du/ac	15 du/ac	15 du/ac
<b>Residential High Density (RH)</b>							
Allowed uses	N	N	N	N	P	P	P
Minimum Lot Size					1,742*	1,400	1,742*
Maximum Density					25 du/ac	25 du/ac	25 du/ac
<b>Residential High Density / High Rise (RH/HR)</b>							
Allowed uses	N	N	N	N	P	P	P
Minimum Lot Size					1,452	1,452	1,452*
Maximum Density					30 du/ac	30 du/ac	30 du/ac
<b>Mixed Use Commercial Overlay Zone (MUCOD)</b>							
Allowed uses	N	N	N	N	P	P	P
Minimum Lot Size					None	None	None
Maximum Density					50 du/ac	50 du/ac	50 du/ac
<b>Central Tualatin Overlay Zone (RH/HR)</b>							
Allowed uses	N	N	N	N	P	P	P
Minimum Lot Size (Core Area)					5,000	5,000	5,000
Minimum Lot Size (Non-core Area)					25,000	25,000	25,000
Maximum Density					25 du/ac	25 du/ac	25 du/ac

\*Note: The lot sizes for duplex and multifamily units is based on development on more than one acre. Development on less than one acre has a different standard for minimum lot size.

Changes to lot size standards are legislative changes to the comprehensive plan and/or zoning code. As such, this process should initiate with the Planning Commission and include opportunities for public input.

Tualatin should evaluate increasing densities in the Residential High and Residential High Density / High Rise to allow buildings that are five to six stories tall (or higher). The City could increase densities to 60 to 100 dwelling units per acre. Alternatively, the City could allow the zoning standards to dictate the number of new dwelling units, based on standards such as building height limitations, parking requirements per unit, lot coverage ratios, setback requirements, and other zoning standards.

### **Other actions suggested by the CAC**

- Provide infrastructure to support development. Note to CAC: This action would likely be about coordinating residential development planning with the capital improvement planning process, which the City is doing but there may be opportunities for improving this coordination.
- Evaluate opportunities to re-zone industrial or commercial land for residential uses or mixed-use residential uses. The City should exclude industrial sanctuary land from this evaluation, as this land has been identified as regionally significant industrial areas.
- Identify opportunities to work with Metro on regional planning for housing, including potential for expansion of the Metro UGB to include the Stafford area.
- As areas are considered for annexation or being brought into the UGB, take into account the complexity and costs for urban services as the land is planned and zoned for future uses.

### **Other potential actions, not yet discussed with the CAC**

Note to the CAC: Below are actions not yet discussed by the CAC but that may be appropriate in Tualatin.

- Evaluate opportunities to re-zone Residential Low Density and Residential Medium Low Density land for higher density housing.
- Evaluate merging High Density zone and the High Density / High Rise zone into one zone and evaluate increasing the maximum density and maximum height limit allowed in the revised zone.
- Evaluate the dimensional standards (e.g., lot size, setbacks, and lot coverage ratio) in all zones to understand the potential impact of development of vacant land, especially smaller or irregularly shaped lots to identify barriers to infill development.

- Develop and implement a system to monitor the supply of residential land every two years. This includes monitoring residential development (through permits) as well as land consumption (e.g. development on vacant, or redevelopable lands).
- Reevaluate Tualatin's housing needs and land sufficiency on a regular basis tied to the Metro Growth Management cycle (i.e., every six years), as part of the City's coordination with Metro.

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## Strategy 2: Encourage development of a wider variety of housing types

This strategy focuses on actions that are intended to ensure new residential structures developed in Tualatin are diverse and include for example: “missing middle, “workforce,” “low to moderate income senior” housing and other housing products to achieve housing affordability for households typically at income levels of 60-120% MFI to meet Tualatin’s 20-year housing needs.

### Issue Statement

Continued increases in housing costs may increase demand for denser housing (e.g., multifamily housing, single-family attached housing, and compact single-family detached housing). To the extent that denser housing types are more affordable than larger housing types (i.e., single-family detached units on larger lots, such as 2,500 square foot dwelling units on lots larger than 5,000 square feet), continued increases in housing costs will increase demand for denser housing.

Tualatin’s housing mix in the 2013-2017 period<sup>4</sup> was 53% single-family detached, 6% single-family attached, and 41% multifamily. Of the multifamily housing, about 5% are low-density multifamily housing types such as duplexes, tri-plexes, and quad-plexes. The HNA assumes that the housing mix of *new* dwelling units in Tualatin will be about 40% single-family detached, 15% single-family attached, and 45% multifamily.

Note to CAC: The mix of housing described above is the mix shown in Scenario 4 in the HNA. This may be refined with continued discussion among the CAC.

To achieve this mix, Tualatin will need to implement policies that allow a wider variety of middle-density housing types (e.g. cottage cluster, townhouses, duplexes, tri-plexes, and quad-plexes), as well as higher-density housing types (e.g., apartment buildings taller than four stories and mixed-use buildings).

In addition, Tualatin will add workforce housing types to provide conveniently located housing in proximity to employment opportunities to attract needed labor force for its industrial and commercial zones and mixed-use overlay zones. Workforce housing types include (but are not limited to): live-work units, “skinny” single-family detached housing, townhouses, cottage housing, duplexes and triplexes, and less costly types of multifamily housing.

### Goal

Allow and encourage the development of a broader diversity of housing types, including middle-density housing types and higher-density housing types.

### Recommended Actions

Note to the CAC: Below are actions suggested by the CAC in prior discussions.

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<sup>4</sup> Based on 2013-2017 ACS 5-year estimates for Tualatin.

Note to the CAC: We fleshed out Action 2.1 as another example of how we will flesh out the actions.

### **Action 2.1. Allow and encourage development of duplexes, cottage housing, townhomes, row houses, and tri- and quad-plexes in lower density residential zones.**

Allowing these housing types can increase overall density of residential development and may encourage a higher percentage of multifamily housing types. This approach would be implemented through the local zoning or development code and would list these housing types as outright allowable uses in appropriate residential zones. These housing types provide additional affordable housing options and allow more residential units than would be achieved by detached homes alone.

The City has already partially implemented this strategy. Tualatin allows duplexes, townhouses, and multifamily housing as a conditional use in the Residential Low zone. Tualatin allows duplexes, townhouses, and multifamily housing as a permitted use in the Medium-Low Density and Medium-High Density zones.

This strategy would move Tualatin towards compliance with the potential requirements of House Bill 2001, which passed during the 2019 Legislative session. The bill requires cities within the Metro UGB to allow “middle” housing types in low-density residential zones. The bill defines middle housing types as:

- (A) Duplexes;
- (B) Triplexes;
- (C) Quadplexes;
- (D) Cottage clusters; and
- (E) Townhouses.

To comply with House Bill 2001, Tualatin will need to:

- Allow cottage cluster as a housing type in the Residential Low zone. Tualatin may want to allow cottage cluster housing in the Medium-Low Density and Medium-High Density zones. Tualatin will also need to include development standards in the Tualatin Development Code.
- Allow duplexes, townhouses, and multifamily housing as a permitted use in the Residential Low zone.

### **Other actions suggested by the CAC**

- Evaluate increasing building heights for multifamily buildings in the High Density-High Rise zone (RH-HR). The current maximum height is 64 feet. The maximum height varies if the structure includes underground parking (5 stories) or first floor parking (6 stories)

- Evaluate increasing building heights for multifamily buildings in the High Density zone (RH). The current maximum height is 35 feet, which may be increased to 50 feet with a conditional use permit (and larger than required setbacks).
- Evaluate opportunities to increase mixed-use development in commercial zones.
- Adopt a PUD ordinance to allow flexibility in both development standards and housing types, subject to a maximum density, in exchange for provision of protected open space, through a land use application process that would require a hearing about the proposed development with the Planning Commission.
- Allow concrete podium housing (over 5 stories tall) in the High Density zone. Note: This is consistent with the actions to increase height limitations in the High Density zone in Strategy 1. The key barriers to allowing this type of construction are height limitations and maximum densities, both of which vary among zones.

### **Other potential actions, not yet discussed with the CAC**

Note to the CAC: Below are actions not yet discussed by the CAC but that may be appropriate in Tualatin.

- Conduct an audit of the City’s zoning code to identify barriers to residential development and identify alternatives for lowering or eliminating the barriers.
- Evaluate allowing of a tiny house in clusters with shared central amenities (such as open space) to allow for development of small single-family detached housing clustered on a lot.
- Evaluate reductions to off-street parking requirements for multifamily housing including for affordable housing serving seniors, for additional provision of bicycles parking and proximity of transit stop within ¼ mile. Consider requiring off-street parking but not parking garages. Also consider allowing on-street parking within a certain distance of a development to count for a specific number or percentage of off-street parking required for that development.

## Strategy 3: Support development of housing that is affordable for all households

The following recommended strategy and actions are intended to use a deliberate set of mandates and incentives to support the development of new affordable housing and preserve existing affordable housing.

### Issue Statement

Availability of housing that is affordable to households at all income levels is a key issue in Tualatin. For the purposes of this strategy, affordable housing is defined as: 1) housing for very low-income and extremely low-income households at 50% or below of Median Family Income<sup>5</sup> (\$41,000 in 2018), 2) housing for low-income households with income between 51% and 80% of MFI (\$41,000 to \$65,000 in 2018), and 3) housing for middle-income households with income between 81% and 120% MFI (\$65,000 to \$98,000 in 2018).

The City's policy options for providing opportunities to build housing, especially affordable housing (both market-rate and government subsidized affordable housing) are limited. The most substantial ways the City can encourage development of housing is through ensuring that enough land is zoned for residential development, assembling and purchasing land for affordable housing development, eliminating barriers to residential development where possible, and providing infrastructure in a cost-effective way.

Based on the actions identified below and the priorities set by decision makers, the City should develop a comprehensive housing strategy that includes and supports development of long-term (30-60 years) affordable housing by any of the following: government-subsidized non-profit developed, private developed and/or developed in partnership between any of the following: public, non-profit and/or private developers. The Tualatin Housing Program will be a program that uses a variety of tools, such as those described in this memorandum, to lower barriers to and encourage affordable housing development.

### Goal

The goal of this strategy is to promote more lower-cost housing, with a focus on low- and middle-income housing. This focus is to ensure housing that is affordable to workers at businesses in Tualatin.

### Recommended Actions

Note to the CAC: Below are actions suggested by the CAC in prior discussions.

- Evaluate opportunities to support and leverage the funding from the Metro bond (discussed in Strategy 4) for development of low-income housing, which would be

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<sup>5</sup> Based on U.S. Department of Housing and Urban Development Median Family Income of \$81,400 for Washington County in 2018.

affordable to households earning less than 80% of Median Family Income in Washington County (\$65,000 for a household size of four people). Some examples of support include:

- Reduce or waive systems development charges (SDCs) and Transportation Development Tax (TDT) fees.
  - Develop a sliding scale for systems development charges (SDCs) and TDT fees.
  - Evaluate developing a tax exemption program, such as the Multiple Unit Housing tax exemption or the Low Income Rental Housing tax exemption.
  - Evaluate adoption of a tax exemption to support newly rehabilitated or constructed multiunit rental housing.
  - Evaluate development of a Vertical Housing Program, which would offer a partial tax exemption for mixed-use development that includes commercial and residential development.
- Provide density bonuses for development of housing affordable to households with income below 80% MFI Income in Washington County (\$65,000 for a household size of four people).
  - Identify opportunities to assist with assembly of land into a single tax lot or multiple adjacent tax lots in certain cases (i.e. mixed-use development with more than one developer involved) to support development of affordable housing.
  - Identify a Tualatin staff member who coordinates programs that support development of all types of affordable housing.
  - Coordinate economic development planning with planning for residential development to emphasize growth of jobs that pay at or above Tualatin's average wage (\$57,300 in 2017).
  - Support and potentially partner with employers who interested in developing an Employer Assisted Housing program to provide grants or loans to support rehabilitation or new housing development.

### **Other potential actions, not yet discussed with the CAC**

Note to the CAC: Below are actions not yet discussed by the CAC but that may be appropriate in Tualatin.

- Identify surplus publicly-owned properties that could be used for affordable housing and partner with the developer(s) of low-income housing to develop affordable housing affordable to households earning less than 60% of MFI.
- Partner with organizations to support programs that preserve market-rate housing and affordable housing, such as provision of grants or low-interest loans to support rehabilitation of existing, older single-family detached homes in poor condition, extending existing Low Income Housing Tax Credit projects for additional term or converting to long-term affordable housing

- Partner with organizations to establish a land bank or land trust, to support affordable housing by reducing or eliminating land cost from the development process.
- Develop an expedited review process for development of affordable housing projects that target housing affordability at 80% of Median Family Income or less.
- Partner with Washington County Housing Services to identify resources for developing additional housing affordable for low, very low, extremely low income households.
- Partner with Washington County Housing Services to identify resources for developing additional housing affordable for middle-income households.
- Partner with Oregon Housing and Community Services (OHCS) to identify resources for developing additional housing affordable for both very low-income households and middle-income households.

### **Strategy 4: Identify funding tools to support residential development**

The following recommended strategy and actions are intended to consider a range of funding tools that Tualatin may implement and use to support residential development.

#### **Issue Statement**

Funding for affordable housing and the infrastructure that serves residential land is becoming increasingly difficult. Cities have adopted a broad range of tools to support affordable housing. The nature of those tools is dependent on local factors: tax base, council support, competing priorities, etc.

Funding affordable housing programs from existing revenue sources may be challenging. Supplemental tools will be necessary if the city wants to support residential development.

#### **Goal**

Explore creative ways to support development of affordable housing and infrastructure development.

#### **Recommended Actions**

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Note to the CAC: Below are actions suggested by the CAC in prior discussions.

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- Evaluate opportunities to use and leverage funds from the Metro housing bond to support development of affordable housing.<sup>6</sup> Washington County is allocated \$118.9 million from the bond. The County’s draft Local Implementation Strategy allocates \$17.5 million for new construction of about 175 units of housing affordable for individuals and families. In addition, the County anticipates \$30.6 million in additional funds to support

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<sup>6</sup> The Metro housing bond is for \$652.8 million, the majority of it will support development of at least 3,900 new affordable units. Most of the new units will be affordable to households with income of 60% MFI (\$48,600 for a family of four) or less. Funds from the bond measure can be used for: building new affordable, housing purchase and rehabilitate existing housing, buy land for new affordable housing, and produce affordable homeownership units.

this housing development from sources such as: Low Income Housing Tax Credits (LIHTC), private resources such as loans from private banks, property tax exemptions, Washington County HOME Partnership Investment Program funds, Washing County Housing Production Opportunity Fund, and resources from partner jurisdictions (such as fee waivers or exemptions, donated or discounted land, grants, or other resources).

- Encourage partnerships with City by non-profits and private developers.

### **Other potential actions, not yet discussed with the CAC**

Note to the CAC: Below are actions not yet discussed by the CAC but that may be appropriate in Tualatin.

- As the City evaluates establishing a new urban renewal district (which is an on-going process within the City currently, evaluate opportunities to support development of affordable housing programs (Strategy 3) funded through urban renewal. The City should also evaluate development of infrastructure (Strategy 1) and redevelopment opportunities (Strategy 5) to support residential development.
- Evaluate a Construction Excise Tax (CET) on new development to pay for developer incentives, such as fee and SDC waivers, tax abatements, or finance-based incentives.
- Evaluate other sources of revenues for funding affordable housing development, through working with the City's finance and legal staff.
- Evaluate development of a Local Improvement District to support upgrades needed to support new housing development.

## Strategy 5: Identify redevelopment opportunities

This strategy focuses on actions that are intended to identify redevelopment opportunities in areas where housing would be appropriate.

### Issue Statement

Tualatin has a deficit of land for housing, a deficit of 103 dwelling units in the Medium High Density Residential designation and a deficit of 101 dwelling units in the High Density / High-Rise Residential designation. Some (or perhaps all) of this deficit could be accommodated through redevelopment of existing areas within Tualatin, where there are opportunities to increase the intensity of land uses. Redevelopment opportunities may also provide opportunities for development of mixed-use areas that are more walkable, have amenities that households frequently access (e.g., schools, medical facilities, parks, retail, restaurants, and other services), and have access to transit, consistent with the actions in Strategy 6.

Redevelopment may require actions from other strategies, such as: increasing allowable densities, up-zoning, density bonuses for affordable housing, land assembly, reduced parking requirements, tax abatement program to support housing development, and funding support such as Urban Renewal or Local Improvement District.

### Goal

Redevelop selected areas of Tualatin to create vibrant mixed-use districts that include new housing opportunities.

### Recommended Actions

Note to the CAC: Below are actions suggested by the CAC in prior discussions.

- Identify areas with opportunities for redevelopment to increase capacity for multifamily housing development, such as the Commons.
- Work with landowners to evaluate opportunities for redeveloping vacant buildings for new housing, such as vacant big-box stores.

### Other potential actions, not yet discussed with the CAC

Note to the CAC: Below are actions not yet discussed by the CAC but that may be appropriate in Tualatin.

- Identify three to four areas within Tualatin for redevelopment into mixed-use areas, with a mixture of higher-density housing and employment uses such as retail, office, and commercial services.
- Require that redevelopment of parcels have a redevelopment plan that shows how the property will be redeveloped into a vibrant area with a mixture of uses, connections with Tualatin's automotive and pedestrian/bicycle transportation networks, and a variety of housing types.

- Identify policies that support development of entry-level housing, possibly in conjunction with infill development or redevelopment.

## **Strategy 6: Ensure there are connections between planning for housing and other community planning**

This strategy focuses on actions that are intended to ensure coordination between planning for housing and other community planning, such as transportation planning or neighborhood planning.

### **Issue Statement**

Discussions of residential development lead to discussions of the design of neighborhoods and connectivity in Tualatin and a desire for more deliberate planning of new residential development to integrate multiple modes of transportation, access to parks and schools, and retail and services in or near neighborhoods. Given that large parts of Tualatin are already built out, this type of planning will need to consider long-term redevelopment opportunities to retrofit the existing built environment into neighborhoods with these characteristics.

This type of planning should occur with attention paid to equity issues, ensuring that neighborhoods with these characteristics are developed in a way that does not displace existing households and provides opportunity for housing for all residents of Tualatin, regardless of income, age, or race/ethnicity. This implies development of neighborhoods with a mixture of incomes, homeowners and renters, and a mixture of housing types (i.e., both single-family detached housing and attached or multifamily housing).

### **Goal**

Ensure that Tualatin develops as a walkable and complete community with amenities that are easily accessible to people who live in Tualatin.

### **Recommended Actions**

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Note to the CAC: Below are actions suggested by the CAC in prior discussions.

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- Evaluate opportunities to decrease dependence on automotive transportation, such as increased focus on development in walkable and bikeable areas and increases in transit service (amount and frequency of transit, as well as increased destinations for transit).
- Evaluate opportunities to expand transit and improve transportation connectivity in Tualatin particularly from the future SW Corridor station in Bridgeport to the Tualatin's Town Center and vital services and out to the neighborhoods.
- Evaluate opportunities to address capacity issues on Tualatin's roads to ease congestion and make traveling by car within Tualatin and to areas outside of Tualatin easier.
- Evaluate opportunities for planning transit-oriented development, as transit becomes more available in Tualatin.

- Implement a design framework for mixed-use neighborhoods that results in neighborhoods where residents have easy, convenient access to many of the places and services they use daily without relying heavily on a car. The framework would include the following elements: walkable neighborhoods, with access to transit, with nearby parks (i.e., within one-quarter mile), near retail and restaurants, and near schools. The neighborhood would have higher concentrations of people and are complete with the sidewalks, bike lanes and bus routes that support a variety of transportation options.
  - Note: In larger cities, these are referred to as “20 minute neighborhoods” but given Tualatin’s smaller size, the scale might be more like “10 minute neighborhoods.”
- Evaluate opportunities for residential development closer to jobs in Tualatin, to make it easier for people to walk, bicycle, or use transit to get to work.
- Evaluate opportunities to support development of housing that is affordable to workers at businesses in Tualatin to ensure that people who work in Tualatin have the opportunity to live in Tualatin. These opportunities are parts of the strategies throughout this memorandum.
- Ensure that newly developed areas are safe for residents, through design standards for the built environment. Integration of public safety services in or near neighborhoods.

#### **Other potential actions, not yet discussed with the CAC**

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Note to the CAC: Below are actions not yet discussed by the CAC but that may be appropriate in Tualatin.

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# Appendix A: Tualatin's Existing Comprehensive Plan Policies

## Section 4.050 General Growth Objectives.

Note to CAC: The following section includes objectives related to housing and that are not directly related to housing.

The following are general objectives used as a guide to formulate the Plan. The objectives are positive statements to de-scribe the Plan's intent to:

- (1) Provide a plan that will accommodate a population range of 22,000 to 29,000 people.
- (2) Cooperate with the Metropolitan Service District to reach regional consensus on population growth projections within the Tualatin area.
- (3) Conform to Metropolitan Service District (Metro) procedures for initiating amendments to the Metro Urban Growth Boundary.
- (4) Provide a plan that will create an environment for the orderly and efficient transition from rural to urban land uses.
- (5) Convert agricultural land only if needed for urban uses.
- (6) Arrange the various land uses so as to minimize land use conflicts and maximize the use of public facilities as growth occurs.
- (7) Prepare a balanced plan meeting, as closely as possible, the specific objectives and assumptions of each individual plan element.
- (8) Define the urban growth boundary.
- (9) Prepare a plan providing a variety of living and working environments.
- (10) Encourage the highest quality physical design for future development.
- (11) Coordinate development plans with regional, state, and federal agencies to as-sure consistency with statutes, rules, and standards concerning air, noise, water quality, and solid waste. Cooperate with the U.S. Fish and Wildlife Service to minimize adverse impacts to the Tualatin River National Wildlife Refuge from development in adjacent areas of Tualatin.
- (12) Adopt measures protecting life and property from natural hazards such as flooding, high groundwater, weak foundation soils and steep slopes.
- (13) Develop regulations to control sedimentation of creeks and streams caused by erosion during development of property.
- (14) Develop a separate growth program that controls the rate of community growth and is acceptable to the Land Conservation and Development Commission.

- (15) Arrange the various land uses in a manner that is energy efficient.
- (16) Encourage energy conservation by arranging land uses in a manner compatible with public transportation objectives.
- (17) Maintain for as long a period as possible a physical separation of non-urban land around the City so as to maintain its physical and emotional identity within urban areas of the region.
- (18) Fully develop the industrial area located in Washington County west of the City only when adequate transportation facilities are available and the area has been annexed to the City and served with water and sewer services.
- (19) Cooperate with Washington County to study the methods available for providing transportation, water and sewer service to the industrial area west of the City, designating this area as a special study area.
- (20) Initiate annexation of property within the Urban Growth Boundary planned for residential development only when petitioned to do so by owners of the affected property, including cases involving unincorporated "islands" of property surrounded by land annexed previously.
- (21) Territories to be annexed shall be in the Metro Urban Growth Boundary.
- (22) Address [Metro's Urban Growth Management Functional Plan, Title 13](#), Nature in Neighborhoods, through the conservation, protection and restoration of fish and wildlife habitat, including Metro's Regionally Significant Fish and Wildlife Habitat, through the Tualatin Basin Natural Resource Coordinating Committee and the Tualatin Basin Program.
- (a) Support and implement the elements of the Tualatin Basin Program to:
- (i) Develop and adopt local policies and regulations to implement the provisions of the Tualatin Basin Program.
  - (ii) Adopt low impact development (LID) provisions to reduce environmental impacts of new development and remove barriers to their utilization.
  - (iii) Coordinate with Clean Water Services (CWS) to implement their Healthy Streams Action Plan and other programs such as their Stormwater Management Plan and Design and Construction Standards.
  - (iv) Coordinate with CWS, Metro and others to develop and support the funding, voluntary and educational components of the Tualatin Basin Program.

(v) Coordinate with CWS, Metro and others to develop and support the monitoring and adaptive management components of the Tualatin Basin Program.

(b) Continue active participation in the Tualatin Basin Natural Resources Coordinating Committee and the Steering Committee to support and implement the Tualatin Basin Program.

(c) Coordinate with CWS and Metro to update Metro's Regionally Significant Fish and Wildlife Habitat Inventory Map. Changes to the Inventory Map will be on-going as on-site inventories are conducted as part of private and public construction projects.

(d) Support and implement provisions allowing public access to planned public facilities.

### Section 5.030 General Objectives.

The following are general objectives used to guide the development of the residential housing element of the Plan. They describe the Plan's intent to:

- (1) Provide for the housing needs of existing and future City residents.
- (2) Provide housing opportunities for residents with varied income levels and tastes that are esthetically and functionally compatible with the existing community housing stock.
- (3) Cooperate with the Housing Authority of Washington County and the Housing Division of Clackamas County to identify sites, projects and developers to provide the City's fair share of assisted housing units for low and moderate income households, and participate in the region's Housing Opportunity Plan.
- (4) Locate higher density development where it is convenient to the City's commercial core, near schools, adjacent to arterial and collector streets and, as much as possible, in areas with existing multi-family housing and provide residential opportunities in selected commercial areas through the Mixed Use Commercial Overlay District.
- (5) Provide areas that are suitable for manufactured dwelling parks and areas that are suitable for subdivisions that will accommodate manufactured homes.
- (6) Provide areas that will accommodate small-lot subdivisions.
- (7) Develop specific and enforceable design standards for multi-family developments, town-houses, manufactured homes, manufactured dwelling parks and small-lot subdivisions.
- (8) Encourage owner occupancy of multi-family developments and other housing units within the City.

- (9) Encourage subdividers and other residential developers to consider the need for solar access on residential construction sites.
- (10) Provide for the raising of agricultural animals and agricultural structures in areas that are presently used for this purpose and that are not buildable due to their location in the 100-year flood plain.
- (11) Require that all residential development adjacent to Expressways be buffered from the noise of such Expressways through the use of soundproofing devices such as walls, berms or distance. Density transfer to accommodate these techniques is acceptable.
- (12) Encourage the development of attached housing in accordance with the RML Planning District in the area of the Norwood Express-way/Boones Ferry Road intersection.
- (13) Provide truck routes for industrial traffic that provide for efficient movement of goods while protecting the quality of residential areas.
- (14) Protect residential, commercial, and sensitive industrial uses from the adverse environmental impacts of adjacent industrial use.
- (15) Protect adjacent land uses from noise impacts by adopting industrial noise standards.
- (16) Protect the Tonquin Scablands from adverse impacts of adjacent development. This includes the main Scabland area in the vicinity of the Burlington Northern Railroad tracks which is preserved through the use of the Wet-lands Protection District and the Greenway and Riverbank Protection District. This also includes other elements of the Scabland formations found farther to the east. These latter areas will be preserved on a case-by-case basis as development occurs through preservation in their natural state, allowing residential density transfer through the small lot subdivision, common wall housing, and condominium conditional use processes.
- (17) Protect wooded areas identified on the Natural Features Map found in the Technical Memorandum by requiring their preservation in a natural state, by integrating the major trees into the design of the parking lots, buildings, or landscaping areas of multi-family complexes and non-residential uses, or in low density areas through the small lot, common wall, or condominium conditional use. If it is necessary to remove a portion or all of the trees, the replacement landscape features shall be subject to approval through the Architectural Review process, except for conventional single family subdivisions.

## Appendix B: Housing Policy Tools to Address Needs

**This appendix presents the information provided to the CAC in the memorandum Housing Policy Tools to Address Needs (dated May 16, 2019).**

The City of Tualatin contracted ECONorthwest to develop a Housing Needs Analysis and a Housing Strategy for Tualatin. The Housing Needs Analysis will determine whether the City of Tualatin has enough land to accommodate 20-years of population and housing growth. It will characterize housing affordability problems and identify gaps in housing affordability in Tualatin. The Housing Needs Analysis will provide the basis for an update to the City's Comprehensive Plan Housing Element, as well as development of an action plan to implement the housing policies (i.e. the Housing Strategy).

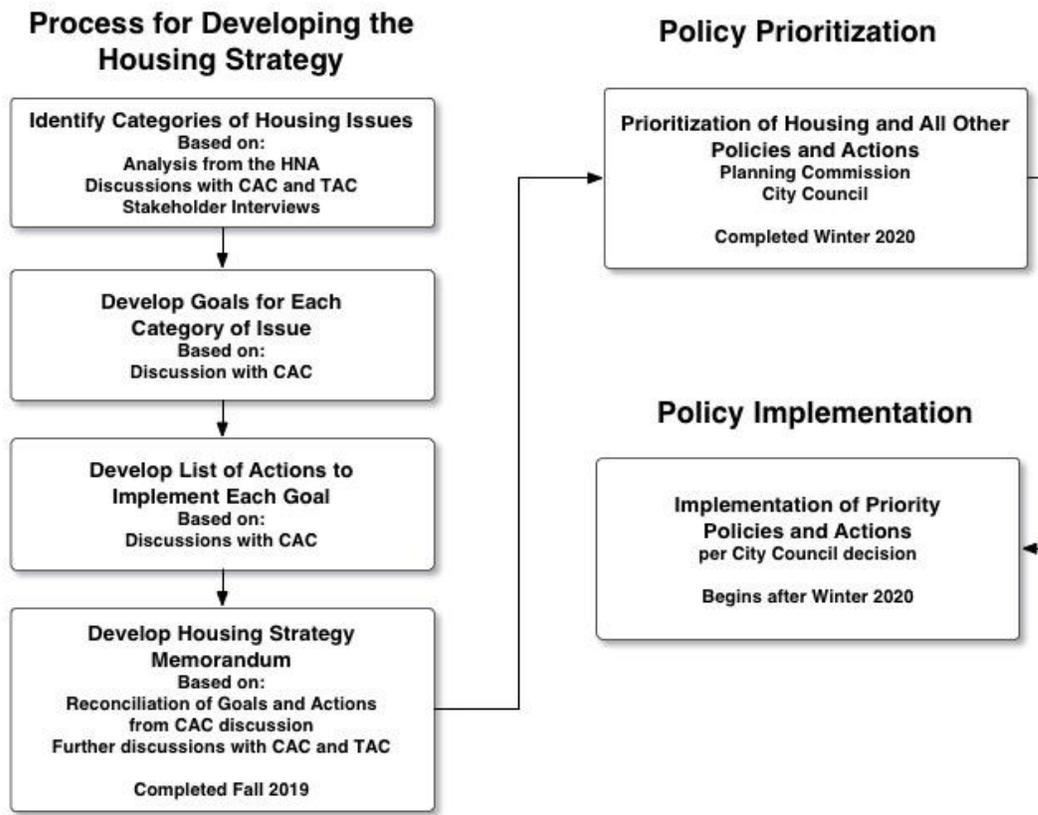
This memorandum provides a range of housing policy options for the City of Tualatin to consider as it addresses its housing needs. These policy options are commonly used by cities in Oregon and other states. Policy options are categorized as follows:

- Land Use Regulations
- Increase Housing Types
- Financial Assistance to Homeowners and Renters
- Lower Development or Operational Costs
- Funding Sources to Support Residential Development

The intention of this memorandum is to provide a toolbox of potential policies and actions that the City can use to address strategic issues. Exhibit 1 illustrates the process for developing the housing strategy and incorporating the strategy into the broader Tualatin 2040 process. Through this project, the CAC and TAC will provide feedback and recommendations that will be used to develop the Tualatin Housing Strategy. The May 23 CAC meeting will begin this process with the following steps: (1) identify categories of housing issues, (2) develop goal(s) to address each category of issue, and (3) developing a list of actions to implement each goal. At a subsequent CAC meeting, we will discuss one or more drafts of the Housing Strategy memorandum, which will document the housing issues, goals, and actions.

After the conclusion of this project, the Housing Strategy will be combined with other policies and actions and will be prioritized by the Tualatin Planning Commission and City Council. The policies and actions will be implemented per the Tualatin City Council's direction once prioritization is completed.

## Exhibit 1. Process for developing and implementing the housing strategy



## Options for Housing Policy Tools

This memorandum provides the City with information about potential policies that could be implemented in Tualatin to address the City's housing needs. Implementing some of the strategies in this memorandum may be beyond Tualatin's current staff or financial resources.

For many of the policy tools described below, we give an approximate scale of impact. **The purpose of the scale of impact is to provide some context for whether the policy tool generally results in a little or a lot of change in the housing market.** The scale of impact depends on conditions in the City, such as other the City's other existing (or newly implemented) housing policies, the land supply, and housing market conditions. We define the scale of impact as follows:

- A **small** impact may not directly result in development of new housing or it may result in development of a small amount of new housing, such as 1% to 3% of the needed housing (which is 10 to 30 dwelling units for Tualatin). In terms of housing affordability, a small impact may not improve housing affordability in and of itself. A policy with a small impact may be necessary but not sufficient to increase housing affordability.
- A **moderate** impact is likely to directly result in development of new housing, such as 3% to 5% of needed housing (which is 30 to 50 dwelling units for Tualatin). In terms of

housing affordability, a moderate impact may not improve housing affordability in and of itself. A policy with a moderate impact may be necessary but not sufficient to increase housing affordability.

- A **large** impact is likely to directly result in development of new housing, such as 5% to 10% (or more) of needed housing (which is 50 to 100 dwelling units for Tualatin). In terms of housing affordability, a **large** impact may improve housing affordability in and of itself. A policy with a large impact may still need to work with other policies to increase housing affordability.

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## Land Use Regulations

The following policies focus on ways in which the City can modify its current land use regulations in order to increase housing affordability and available housing stock. Policies are broken into two categories: those that affect regulatory changes, and those which increase the land available for housing.

Strategy Name	Description	Scale of Impact
<b>Regulatory Changes</b>		
Administrative and Procedural Reforms	<p>Regulatory delay can be a major cost-inducing factor in development. Oregon has specific requirements for review of development applications. However, complicated projects frequently require additional analysis such as traffic impact studies, etc.</p> <p>A key consideration in these types of reforms is how to streamline the review process and still achieve the intended objectives of local development policies.</p>	<p><b>Scale of Impact - Small.</b> The level of impact on production of housing and housing affordability will be small and will depend on the changes made to the city's procedures. Streamlining procedures may be necessary but not sufficient to increase housing production on its own.</p>
Expedited / Fast-tracked Building Permit	<p>Expedite building permits for pre-approved development types or building characteristics (e.g. green buildings).</p> <p>City of Bend offers expedited review and permitting for affordable housing. Any residential or mixed-use development that receives local, state or federal affordable housing funding is eligible to receive a written decision by the Planning Department within two weeks of the date of submittal. For projects that require more complex planning review, a decision will be written or the first public hearing will be held within six weeks of the date of submittal.</p>	<p><b>Scale of Impact - Small.</b> Expedited permit processing will benefit a limited number of projects. It may be necessary but not sufficient to increase housing production on its own.</p>
Streamline Zoning Code and other Ordinances	<p>Complexity of zoning, subdivision, and other ordinances can make development more difficult, time consuming, and costly. Streamlining development regulations can result in increased development.</p> <p>As part of the streamlining process, cities may evaluate potential barriers to affordable workforce housing and multifamily housing. Potential barriers may include: height limitations, complexity of planned unit development regulations, parking requirements, and other zoning standards.</p> <p>Many of the remaining tools in this section focus on changes to the zoning code.</p>	<p><b>Scale of Impact - Small to moderate.</b> The level of impact on production of housing and housing affordability will depend on the changes made to the zoning code and other ordinances.</p>

Strategy Name	Description	Scale of Impact
Allow Small Residential Lots	<p>Small residential lots are generally less than 5,000 sq. ft and sometimes closer to 2,000 sq ft. . This policy allows individual small lots within a subdivision. Small lots can be allowed outright in the minimum lot size and dimensions of a zone, or they could be implemented through the subdivision or planned unit development ordinances.</p> <p>This policy is intended to increase density and lower housing costs. Small-lots limit sprawl, contribute to a more efficient use of land, and promote densities that can support transit. Small lots also provide expanded housing ownership opportunities to broader income ranges and provide additional variety to available housing types.</p> <p>Cities across Oregon allow small residential lots, including many cities in the Metro area.</p>	<p><b>Scale of Impact – Small to moderate.</b> Cities have adopted minimum lot sizes as small as 2,000 sq. ft. However, it is uncommon to see entire subdivisions of lots this small. Small lots typically get mixed in with other lot sizes. This tool generally increases density and amount of single-family detached and townhouse housing in a given area, decreasing housing costs as a result of decreasing amount of land on the lot.</p>
Mandate Maximum Lot Sizes	<p>This policy places an upper bound on lot size and a lower bound on density in single-family zones. For example, a residential zone with a 6,000 sq. ft. minimum lot size might have an 8,000 sq. ft. maximum lot size yielding an effective net density range between 5.4 and 7.3 dwelling units per net acre.</p> <p>This approach ensures minimum densities in residential zones by limiting lot size. It places bounds on building at less than maximum allowable density. Maximum lot sizes can promote appropriate urban densities, efficiently use limited land resources, and reduce sprawl development.</p> <p>This tool is used by some cities but is used less frequently than mandating minimum lot sizes.</p>	<p><b>Scale of Impact—Small to moderate.</b> Mandating maximum lot size may be most appropriate in areas where the market is building at substantially lower densities than are allowed or in cities that do not have minimum densities.</p> <p>This tool generally increases density and amount of single-family detached and townhouse housing in a given area, decreasing housing costs as a result of decreasing amount of land on the lot.</p>

Strategy Name	Description	Scale of Impact
Mandate Minimum Residential Densities	<p>This policy is typically applied in single-family residential zones and places a lower bound on density. Minimum residential densities in single-family zones are typically implemented through maximum lot sizes. In multifamily zones, they are usually expressed as a minimum number of dwelling units per net acre. Such standards are typically implemented through zoning code provisions in applicable residential zones.</p> <p>This policy increases land-holding capacity. Minimum densities promote developments consistent with local comprehensive plans and growth assumptions. They reduce sprawl development, eliminate underbuilding in residential areas, and make provision of services more cost effective.</p> <p>Mandating minimum density is generally most effective in medium and high density zones where single-family detached housing is allowed. The minimum density ensures that low-density single-family housing is not built where higher-density multifamily housing could be built.</p>	<p><b>Scale of Impact—Small to moderate.</b> Increasing minimum densities and ensuring clear urban conversion plans may have a small to moderate impact depending on the observed amount of underbuild and the minimum density standard.</p> <p>For cities that allow single-family detached housing in high density zones, this policy can result in a moderate or larger impact.</p>
Increase Allowable Residential Densities	<p>This approach seeks to increase holding capacity by increasing allowable density in residential zones. It gives developers the option of building to higher densities. This approach would be implemented through the local zoning or development code. This strategy is most commonly applied to multifamily residential zones.</p> <p>For cities with maximum densities, consider removing maximum allowable densities. This change may be most relevant.</p> <p>Higher densities increase residential landholding capacity. Higher densities, where appropriate, provide more housing, a greater variety of housing options, and a more efficient use of scarce land resources. Higher densities also reduce sprawl development and make the provision of services more cost effective.</p>	<p><b>Scale of Impact—Small to moderate.</b> This tool can be most effective in increasing densities where very low density is currently allowed or in areas where a city wants to encourage higher density development.</p> <p>This tool generally increases density and amount of single-family detached and townhouse housing in a given area, decreasing housing costs as a result of decreasing amount of land on the lot.</p>

Strategy Name	Description	Scale of Impact
Allow Clustered Residential Development	<p>Clustering allows developers to increase density on portions of a site, while preserving other areas of the site. Clustering is a tool most commonly used to preserve natural areas or avoid natural hazards during development. It uses characteristics of the site as a primary consideration in determining building footprints, access, etc. Clustering is typically processed during the site review phase of development review.</p>	<p><b>Scale of Impact—Moderate.</b> Clustering can increase density, however, if other areas of the site that could otherwise be developed are not developed, the scale of impact can be reduced.</p>
Reduced Parking Requirements	<p>Jurisdictions can reduce or eliminate minimum off-street parking requirements, as well as provide flexibility in meeting parking requirements. Reducing parking requirements positively impact development of any type of housing, from single-family detached to multifamily housing.</p> <p>Reduced parking requirements are most frequently used in conjunction of development of subsidized affordable housing, but cities like Portland have reduced or eliminated parking requirements for market-based multifamily housing in specific circumstances.</p> <p>City of Bend offers parking reductions for affordable housing and transit proximity. Parking for affordable housing units is 1 space per unit regardless of size, compared to 1 space per studio or 1 bedroom unit, 1.5 spaces per 2-bedroom unit, and 2 spaces per 3- or more bedroom unit for market-rate multifamily development or 2 spaces per market rate detached dwelling unit. Affordable housing units must meet the same eligibility criteria as for other City of Bend affordable housing incentives</p> <p>City of Portland offers parking exceptions for affordable housing and sites adjacent to transit. The City of Portland allows housing developments that meet the inclusionary zoning requirements to reduce parking requirements to zero if located near frequent transit service, and to exclude the affordable housing units from parking requirements for developments located further from frequent transit service. The City also allows market rate housing developments located near frequent transit service to provide little or no parking, depending on the number of units in the development.</p>	<p><b>Scale of Impact—Small to moderate.</b></p> <p>The City could require the developer to prove the need and public benefit or reducing parking requirements to increase housing affordability.</p> <p>Reducing parking requirements can have a moderate to large impact on housing affordability if little or no parking is required.</p>

Strategy Name	Description	Scale of Impact
Reduce Street Width Standards	<p>This policy is intended to reduce land used for streets and slow down traffic. Street standards are typically described in development and/or subdivision ordinances. Reduced street width standards are most commonly applied on local streets in residential zones. This strategy could be applied to alleys, when required, to ensure that alleys are relatively narrow to reduce development and maintenance costs.</p> <p>Narrower streets make more land available to housing and economic-based development. Narrower streets can also reduce long-term street maintenance costs.</p>	<p><b>Scale of Impact—Small.</b> This policy is most effective in cities that require relatively wide streets.</p>
Preserving Existing Housing Supply	<p>Housing preservation ordinances typically condition the demolition or replacement of certain housing types on the replacement of such housing elsewhere, fees in lieu of replacement, or payment for relocation expenses of existing tenants. Preservation of existing housing may focus on preservation of smaller, more affordable housing. Approaches include:</p> <ul style="list-style-type: none"> <li>• Housing preservation ordinances</li> <li>• Housing replacement ordinances</li> <li>• Manufactured home preservation</li> <li>• Single-room-occupancy ordinances</li> <li>• Regulating demolitions</li> </ul>	<p><b>Scale of Impact—Small to moderate.</b> Preserving small existing housing can make a difference in the availability of affordable housing in a city but it is limited by the existing stock housing, especially smaller, more affordable housing. Cities with older housing stock are more likely to benefit from this policy.</p>

Strategy Name	Description	Scale of Impact
Inclusionary Zoning	<p>Inclusionary zoning policies tie development approval to, or provide regulatory incentives for, the provision of low- and moderate-income housing as part of a proposed development. Mandatory inclusionary zoning requires developers to provide a certain percentage of low-income housing. Incentive-based inclusionary zoning provides density or other types of incentives.</p> <p>The price of low-income housing passed on to purchasers of market-rate housing. Inclusionary zoning impedes the "filtering" process where residents purchase new housing, freeing existing housing for lower-income residents.</p> <p>Oregon's inclusionary zoning laws apply to structures with 20 or more multifamily units, with inclusion of units that are affordable at 80% of the median family income of the city.</p> <p>The City of Portland has implemented an inclusionary zoning program. While Portland's inclusionary zoning program is resulting in production of affordable multifamily units, there is considerable discussion and disagreement about the impact of number of multifamily units being built and potential changes in the location of units.</p>	<p><b>Scale of Impact—Small to moderate.</b> Inclusionary zoning has recently been made legal in Oregon. The scale of impact would depend on the inclusionary zoning policies adopted by the city.</p>

<b>Increasing Land Available for Housing</b>		
<p>Re-designate or rezone land for housing</p>	<p>The types of land rezoned for housing are vacant or partially vacant low-density residential and employment land rezoned to multifamily or mixed use. In rezoning land, it is important to choose land in a compatible location, such as land that can be a buffer between an established neighborhood and other denser uses or land adjacent to existing commercial uses. When rezoning employment land, it is best to select land with limited employment capacity (i.e., smaller parcels) in areas where multifamily housing would be compatible (i.e., along transit corridors or in employment centers that would benefit from new housing). This policy change increases opportunity for comparatively affordable multifamily housing and provides opportunities for mixing residential and other compatible uses.</p> <p>Cities across Oregon frequently re-zone and re-designate land to address deficits of land for new housing.</p>	<p><b>Scale of Impact - Small to large.</b> Scale of impact depends on the amount and location of land rezoned and the densities allowed on the rezoned land.</p>
<p>Encourage multifamily residential development in commercial zones</p>	<p>This tool seeks to encourage denser multifamily housing as part of mixed-use projects in commercial zones. Such policies lower or eliminate barriers to residential development in commercial or mixed-use zones. They include: eliminating requirements for non-residential uses in commercial zones (e.g., requirements for ground floor retail) or requiring minimum residential densities. This policy can increase opportunities for multifamily development on commercial or mixed-use zones or increase the density of that development.</p> <p>Cities across Oregon frequently encourage multifamily housing development in commercial zones, either as stand-alone residential buildings or as mixed-use buildings.</p>	<p><b>Scale of Impact – Small to moderate.</b> Many cities already encourage multifamily housing in commercial zones. Further encouraging multifamily housing in commercial zones would likely have a small impact, as multifamily housing is allowed in many of the commercial areas where it would be desirable. Unless it is publicly subsidized, mixed-use development generally results in relatively costly housing because ground floor commercial development is relatively expensive.</p>

<p>Transfer or Purchase of Development Rights</p>	<p>This policy is intended to move development from sensitive areas to more appropriate areas. Development rights are transferred to “receiving zones” and can be traded and can increase overall densities. This policy is usually implemented through a subsection of the zoning code and identifies both sending zones (zones where decreased densities are desirable) and receiving zones (zones where increased densities are allowed).</p> <p>Transfer of development rights is done less frequently in Oregon, as cities generally zone land for higher density housing where they would like it to occur. This policy is frequently used by cities outside of Oregon.</p>	<p><b>Scale of Impact - Small to moderate.</b> Actual impact will depend on the extent to which the policy is used. TDRs may have little impact on overall densities since overall density is not changed; rather it is moved around. TDRs can be used to encourage higher densities in selected areas.</p>
<p>Provide Density Bonuses to Developers</p>	<p>The local government allows developers to build housing at densities higher than are usually allowed by the underlying zoning. Density bonuses are commonly used as a tool to encourage greater housing density in desired areas, provided certain requirements are met. This strategy is generally implemented through provisions of the local zoning code and is allowed in appropriate residential zones.</p> <p>Bonus densities can also be used to encourage development of low-income or workforce affordable housing. An affordable housing bonus would allow for more housing units to be built than allowed by zoning if the proposed project provides a certain number of affordable units.</p> <p>City of Bend offers affordable housing density and height bonuses. Qualifying affordable housing projects are eligible for a 10-foot building height bonus for multifamily housing when affordable housing units are gained and for a density bonus. The density increase is based on the percentage of affordable housing units within the proposed development: if 10% of the units are affordable, the maximum density is 110% of the standard maximum density. The maximum density bonus is 50% above the base density. Qualifying projects must be affordable to households at or below 60% of the AMI for rental housing and at or below 80% of the AMI for ownership housing, and require development agreements and restrictions to ensure continued affordability.</p> <p>Ashland has four different density bonuses, one of which is for development of affordable housing at higher densities and another for energy-efficient housing. Affordable housing projects meeting eligibility requirements (including rental housing affordable to households at or below 60% of AMI or ownership housing affordable to households at or below 80% of AMI for a minimum of 30 years) receive a density bonus</p>	<p><b>Scale of Impact – Small to moderate.</b> Cities provide density bonuses on a case-by-case basis, which results in a small and sometimes moderate impact in many cities. Density bonuses can have a greater impact on housing affordability when the bonus increases the number of affordable units developed.</p>

	<p>of two units for each affordable housing unit provided, up to a maximum of a 35% increase in density.</p> <p>Kirkland Washington offers density bonuses for duplex, triplex, and cottage homes. Cottage homes (limited to 1,500 square feet of floor area) and two- and three-unit homes (up to 1,000 square feet of floor area average per unit) are allowed at double the density of detached dwelling units in the underlying zone.</p>	
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## Increase Housing Types

The following policies focus on ways in which the City can increase the types of housing available in order to increase housing affordability. Policies focus on increasing housing density or the number of residents within existing City lots.

Strategy Name	Description	Scale of Impact
<p>Allow Duplexes, Cottage housing, Townhomes, Row Houses, and Tri- and Quad-Plexes in low density zones</p>	<p>Allowing these housing types can increase overall density of residential development and may encourage a higher percentage of multifamily housing types. This approach would be implemented through the local zoning or development code and would list these housing types as outright allowable uses in appropriate residential zones. These housing types provide additional affordable housing options and allow more residential units than would be achieved by detached homes alone.</p> <p>House Bill 2001 may require cities to allow some of these housing types in single-family zones.</p>	<p><b>Scale of Impact – Small to moderate.</b> Allowing these types of housing in more zoning districts may provide relatively few number of new, relatively affordable, housing opportunities.</p>
<p>Allow Cottage housing, Tri- and Quad-Plexes Townhomes, Row Houses, Stacked Townhouses, Cottage Courts, Duplex/Townhouse Courts, &amp; Garden Apartments in</p>	<p>Allowing these housing types can increase overall density of residential development and may encourage a higher percentage of multifamily housing types. This approach would be implemented through the local zoning or development code and would list these housing types as outright allowable uses in appropriate residential zones. These housing types provide additional affordable housing options and allow more residential units than would be achieved by detached homes alone.</p>	<p><b>Scale of Impact – Small to Large.</b> Allowing these types of housing in more zoning districts may provide up to a large number of new, relatively affordable, housing opportunities. The scale of impact will depend, in part, on the amount of vacant or redevelopable land in medium density zones, as well as the types</p>

Strategy Name	Description	Scale of Impact
medium density zones		of housing newly allowed in the medium density zone.
Allow Stacked Townhouses, Garden Apartments and larger-scale Apartments in high density zones	Allowing these housing types can increase overall density of residential development and may encourage a higher percentage of multifamily housing types. This approach would be implemented through the local zoning or development code and would list these housing types as outright allowable uses in appropriate residential zones. These housing types provide additional affordable housing options and allow more residential units than would be achieved by detached homes alone.	<b>Scale of Impact – Small to Large.</b> Allowing these types of housing in more zoning districts may provide up to a large number of new, relatively affordable, housing opportunities. The scale of impact will depend, in part, on the amount of vacant or redevelopable land in high density zones, as well as the types of housing newly allowed in the high density zone.
Allow Live-Work housing or Mixed-use housing in commercial zones	Allowing these housing types can increase overall density of residential development and may encourage a higher percentage of multifamily housing types. This approach would be implemented through the local zoning or development code and would list these housing types as outright allowable uses in appropriate residential zones. These housing types provide additional affordable housing options and allow more residential units than would be achieved by detached homes alone.	<b>Scale of Impact – Small to Large.</b> Allowing these types of housing in more zoning districts may provide up to a large number of new, relatively affordable, housing opportunities.
Remove barriers to Development of Accessory Dwelling Units (ADUs) in single-family zones	As of July 1, 2018, ORS 197.312 requires cities to allow at least one ADU for each detached single-family dwelling in areas zoned for detached single-family dwellings.  Jurisdictions can make development of ADUs more likely by limiting restrictive standards and procedures, such as reducing systems development charges for ADUs, reducing or eliminating parking requirements, or allowing ADUs regardless of where the primary dwelling is owner-occupied.	<b>Scale of Impact - Small.</b> Oregon law recently changed to require cities to allow ADUs.

Strategy Name	Description	Scale of Impact
Allow small or “tiny” homes	<p>“Tiny” homes are typically dwellings that are 500 square feet or smaller. Some tiny houses are as small as 100 to 150 square feet. They include stand-alone units or very small multifamily units.</p> <p>Tiny homes can be sited in a variety of ways: locating them in RV parks (they are similar in many respects to Park Model RVs), tiny home subdivisions, or allowing them as accessory dwelling units.</p> <p>Smaller homes allow for smaller lots, increasing land use efficiency. They provide opportunities for affordable housing, especially for homeowners.</p> <p>Portland and Eugene allow tiny homes as temporary shelter for people experiencing homelessness.</p>	<p><b>Scale of Impact - Small:</b> Scale of impact depends on regulation of tiny homes, where they are allowed, and market demand for tiny homes.</p>

### Lower Development or Operational Costs

The following policies focus on ways in which the City and other entities involved in development can provide financial assistance to lower development or operational costs in a city in order to increase housing affordability and available housing stock.

Strategy Name	Description	Scale of Impact
<b>Programs or policies to lower the cost of development</b>		
Parcel assembly	<p>Parcel assembly involves the city’s ability to purchase lands for the purpose of land aggregation or site assembly. It can directly address the issues related to limited multifamily lands being available in appropriate locations (e.g., near arterials and commercial services). Typical goals of parcel assembly programs are: (1) to provide sites for rental apartments in appropriate locations close to services and (2) to reduce the cost of developing multifamily rental units</p> <p>Parcel assembly can lower the cost of multifamily development because the City is able to purchase land in strategic locations over time. Parcel assembly is often associated with development of affordable housing (affordable to households with income below 60% of MFI), where the City partners with nonprofit affordable housing developers.</p> <p>Parcel assembly can be critically important role for cities to kick start quality affordable housing and work force housing projects that can be positive catalysts too for market rate development.</p>	<p><b>Scale of Impact - Small to large.</b> Parcel assembly is most likely to have an effect on a localized area, providing a few opportunities for new multifamily housing development over time.</p>

Strategy Name	Description	Scale of Impact
Land Banking	<p>Land banks support housing development by reducing or eliminating land cost from development, with the goal of increasing the affordability of housing. They can take several forms. Many are administered by a non-profit or non-governmental entity with a mission of managing a portfolio of properties to support affordable housing development over many years or decades. Ideally, a land bank is set up to manage financial and administrative resources, including strategic property disposal, for the explicit purpose of supporting affordable housing development. Cities can partner with non-profits or sometimes manage their own land banks. Cities may also donate, sell, or lease publicly-owned land for the development of affordable housing even without a formal 'land bank' organization.</p> <p>Land banks are purposed for short-term ownership of lands. Lands acquired are often vacant, blighted, or environmentally-contaminated. Land banks may also acquire lands with title defects or of which derelict structures sit. Lands are eventually transferred to a new owner for reuse and redevelopment.</p>	<p><b>Scale of Impact - Small to large.</b> A land bank will have the biggest impact on production of low- and moderate-income affordable housing. Considering how difficult it is to build this type of affordable housing and the level of need for affordable housing, a land trust could increase nonprofits' capacity to build affordable housing.</p>
Land Trusts	<p>A land trust is typically a nonprofit organization that owns land and sells or leases the housing on the land to income-qualified buyers. Because the land is not included in the housing price for tenants / buyers, land trusts can achieve below-market pricing. Land trusts are most commonly used as a method for supporting affordable home ownership goals.</p> <p>Land trusts are purposed for long-term stewardship of lands and buildings. Lands / buildings acquired may have need for remediation or redevelopment. Lands / buildings may have also been acquired to preserve affordability, prevent deferred maintenance, or protect against foreclosure</p> <p>Proud Ground (Portland Metro Area) was founded in 1999 and has grown into one of the largest community land trusts in the country. The organization focuses on affordable homeownership and controls ground leases associated with 270 homes in Multnomah, Washington, Clackamas, and Clark County.</p>	<p><b>Scale of Impact - Small to large.</b> A land trust will have the biggest impact on production of low- and moderate-income affordable housing. Considering how difficult it is to build this type of affordable housing and the level of need for affordable housing, a land trust could increase nonprofits' capacity to build affordable housing.</p>

Strategy Name	Description	Scale of Impact
Public Land Disposition	<p>The public sector sometimes controls land that has been acquired with resources that enable it to dispose of that land for private and/or nonprofit redevelopment. Land acquired with funding sources such as tax increment, EB-5, or through federal resources such as CDBG or HUD Section 108 can be sold or leased at below market rates for various projects to help achieve redevelopment objectives. This increases development feasibility by reducing development costs and gives the public sector leverage to achieve its goals via a development agreement process with the developer. Funding can come from Tax Increment, CDBG/HUD 108, or EB-5.</p> <p>Cities across Oregon use publicly land to support affordable and market-rate of housing development. In some cases, municipalities put surplus public land into land banks or land trusts.</p> <p>Tri-Met is evaluating re-use of construction staging sites for future affordable housing and/or transit-orient development sites.</p> <p>Cottage Grove is working with the school district to discuss and plan for use of surplus school district land for future housing development.</p>	<p><b>Scale of Impact – Small to moderate.</b> Depends on whether the City has surplus land that would be appropriate for future housing development.</p>

Strategy Name	Description	Scale of Impact
<p>Reduced / Waived Building Permit fee, Planning fees, or SDCs</p>	<p>Programs that reduce various development fees as an incentive to induce qualifying types of development or building features. There are a number of avenues to seek reduced or waived fees. For example, stormwater improvements can be made through the Commercial Stormwater Fee Reduction. There are commonly used tools, often implemented in conjunction with development agreements or other development negotiation processes.</p> <p>City of Portland offers SDC exemptions for affordable housing. Portland’s SDC Exemption Program exempts developers of qualifying affordable housing projects from paying SDCs levied by the City of Portland for transportation, water, parks and environmental services. Eligible rental projects must serve households earning at or below 60% of the AMI for a 60-year period. Portland also offers SDC waivers for development of ADUs.</p> <p>City of McMinnville offers SDC exemptions and reduced permit fees for affordable housing. Building and planning permit fees for new or remodel housing construction projects are reduced by 50% for eligible projects and SDCs for transportation, wastewater and parks are exempted at 100%. Reductions/exemptions are prorated for mixed use or mixed-income developments. The property must be utilized for housing for low-income persons for at least 10 years or the SDCs must be paid to the city.</p>	<p><b>Scale of Impact - Small.</b></p>
<p>SDC Financing Credits</p>	<p>May help to offset the an SDC charge, which is a one-time fee that is issued when there is new development or a change in use.</p> <p>SDC financing enables developers to stretch their SDC payment over time, thereby reducing upfront costs. Alternately, credits allow developers to make necessary improvements to the site in lieu of paying SDCs. Note that the City can control its own SDCs, but often small cities manage them on behalf of other jurisdictions including the County and special districts. SDCs are granted when the project makes lasting improvements, such as improving roads, reducing number of trips, create or improve parks or recreational centers, and permanently removing water services.</p>	<p><b>Scale of Impact – Small to moderate.</b> The City may consider changes in SDCs to allow financing but the City would want to ensure that the impact should be spread-out and non-negatively impact one entity.</p>

Strategy Name	Description	Scale of Impact
Sole Source SDCs	Retains SDCs paid by developers within a limited geographic area that directly benefits from new development, rather than being available for use city-wide. This enables SDC-eligible improvements within the area that generates those funds to keep them for these improvements. Improvements within smaller areas can enhance the catalytic and redevelopment value of the area. This tool can also be blended with other resources such as LIDs and Urban Renewal (Tax Increment Financing). Funding can come from an SDC fund or general fund. In some cases, there may be no financial impact. The housing can come in the form of student, low-income, or workforce housing.	<b>Scale of Impact – Small to moderate.</b> Depends on how the tool is implemented and whether it is used with other tools, such as LIDs or Urban Renewal.
Fees or Other Dedicated Revenue	Directs user fees into an enterprise fund that provides dedicated revenue to fund specific projects. Examples of those types of funds can include parking revenue funds, stormwater/sewer funds, street funds, etc. The City could also use this program to raise private sector funds for a district parking garage wherein the City could facilitate a program allowing developers to pay fees-in-lieu or “parking credits” that developers would purchase from the City for access “entitlement” into the shared supply. The shared supply could meet initial parking need when the development comes online while also maintaining the flexibility to adjust to parking need over time as elasticity in the demand patterns develop in the district and influences like alternative modes are accounted for. Funding can come from residents, businesses, and developers. Also, these fees or revenues allow for new revenue streams into the City.	

Strategy Name	Description	Scale of Impact
Reimbursement District	<p>A Reimbursement District is a cost sharing mechanism, typically Initiated by a developer. The purpose is to provide a reimbursement method to the developer of an infrastructure improvement, through fees paid by property owners at the time the property benefits from the improvement. A developer applies to create a Reimbursement District by demonstrating benefit to properties beyond their own. In addition, the size of the improvement must be measurably greater than would otherwise be ordinarily required for the improvement</p> <p>Eligible Reimbursement District projects typically include (but are not limited to) construction or connections of a sewer, water, storm water or street improvements. Applications typically include: a fee sufficient to cover the cost of administrative review, a description of the project, properties that would be impacted, and a detailed methodology and calculation of how the estimated costs would be reimbursed by payments from benefitted properties over a specified timeframe. A report from the City Engineer is generated in review of the submitted application. After a public hearing process, the council will approve, reject or modify the proposal. The approval of a Reimbursement District results in a resolution and distribution of notice among benefitted properties before construction can begin.</p> <p>Benefitted properties must pay the Reimbursement Fee when they make a physical connection to the improvement (or in the case of a sewer project, when the benefitted property creates an impervious surface that drains into the public sewer) within the Reimbursement District Area. Reimbursement fees are collected by the City and are distributed to the developer for the duration of the Reimbursement District, which are typically 10-15 years.</p> <p>Paid by benefitted properties at the time the property benefits from the improvement, typically at connection to the sewer, water or storm drain system.</p>	<p><b>Scale of Impact – Small to moderate.</b></p>
Linkage Fees	<p>Linkage fees are charges on new development, usually commercial and / or industrial development only, that can be used to fund affordable housing. To implement them, a city must undertake a nexus study that identifies a legal connection between new jobs housed in the developments, the wages those jobs will pay, and the availability of housing affordable to those employees.</p> <ul style="list-style-type: none"> <li>• Can be used for acquisition and rehabilitation of existing affordable units.</li> <li>• Can be used for new construction.</li> </ul>	<p><b>Scale of Impact – Small to moderate.</b></p>

Strategy Name	Description	Scale of Impact
<b>Tax abatement programs that decrease operational costs by decreasing property taxes</b>		
Vertical Housing Tax Abatement (Locally Enabled and Managed)	<p>The 2017 Legislature passed legislation moving the administration of Vertical Housing Program from Oregon Housing and Community Services (OHCS) to the local City and County beginning Oct 6th, 2017. OHCS no longer administers this program.</p> <p>The legislation subsidizes "mixed-use" projects to encourage dense development or redevelopment by providing a partial property tax exemption on increased property value for qualified developments. The exemption varies in accordance with the number of residential floors on a mixed-use project with a maximum property tax exemption of 80 percent over 10 years. An additional property tax exemption on the land may be given if some or all of the residential housing is for low-income persons (80 percent of area is median income or below).</p>	<p><b>Scale of Impact – Small to moderate.</b> The design of the tax abatement program will impact whether and how many developers use the tax abatement, which will affect the scale of the impact.</p>

<p>Multiple-Unit Limited Tax Exemption Program (Locally Enabled and Managed)</p>	<p>Through the multifamily tax exemption, a jurisdiction can incent diverse housing options in urban centers lacking in housing choices or workforce housing units. Through a competitive process, multi-unit projects can receive a property tax exemption for up to ten-years on structural improvements to the property. Though the state enables the program, each City has an opportunity to shape the program to achieve its goals by controlling the geography of where the exemption is available, application process and fees, program requirements, criteria (return on investment, sustainability, inclusion of community space, percentage affordable or workforce housing, etc.), and program cap. The City can select projects on a case-by-case basis through a competitive process.</p> <p>The passing of HB 2377 - Multiunit Rental Housing Tax Exemption allows cities and counties to create a property tax exemption for newly rehabilitated or newly constructed multi-unit rental housing within their boundaries depending on the number of units made available to low-income households, for up to 10 consecutive years. The bill was crafted to strengthen the connection to affordability by requiring cities and counties to establish a schedule in which the number of years an exemption is provided increases directly with the percentage of units rented to households with an annual income at or below 120 percent of MFI, and at monthly rates that are affordable to such households. While not specifically referenced in the measure, ORS 308.701 defines “Multi-unit rental housing” as: “(a) residential property consisting of four or more dwelling units” and; “does not include assisted living facilities.”</p> <p>All new multifamily units that are built or renovated that offer rent below 120% of AMI are potentially eligible for this tax exemption. In a city with an AMI of \$55,000 (common outside of Portland), that's rent of \$1,650 per month or less. The tax exemption is for all taxing districts which is administered by the City. Due to this, smaller jurisdictions may have more trouble managing this program. Local taxing jurisdictions that agree to participate—cities, school districts, counties, etc.</p> <p>The City of Eugene offers a ten-year Multi-Unit Property Tax Exemption (MUPTE) for projects in its eastern downtown core. Eugene’s criteria for granting MUPTE include: Project must provide 5 or more units of housing (not including student housing), development must meet minimum density standards, development must comply with minimum green building requirements, a portion of construction and other contracting requirements must</p>	<p><b>Scale of Impact – Small to moderate.</b> The design of the tax abatement program will impact whether and how many developers use the tax abatement, which will affect the scale of the impact.</p>
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Strategy Name	Description	Scale of Impact
	<p>be through local business, the development must provide 30% of the units affordable at 100% of AMI or pay a fee of 10% of the value of the tax abatement toward supporting moderate income housing development, demonstrate that the project would not be financially feasible without the exemption by providing 10-year pro forma with and without MUPTTE and comply with other criteria.</p> <p>The City of Salem’s Multi-Unit Housing Tax Incentive Program (MUHTIP) was adopted in 2012 to spur the construction of “transit supportive”<sup>7</sup> multi-unit housing in the city’s downtown core. In order to qualify for the exemption, projects must consist of at least two dwelling units, be located in the city’s “core area,” and include at least one public benefit.</p>	
<p>Nonprofit Corporation Low Income Housing Tax Exemption</p> <p>and</p> <p>Low-Income Rental Housing Tax Exemption</p>	<p>Note: These are two separate tax exemptions available under statute (ORS 307.515 to 307.523 / ORS 307.540 to 307.548). They are grouped together for their similarities (but differences are noted).</p> <p>Land and improvement tax exemption used to reduce operating costs for regulated affordable housing affordable at 60% AMI or below. Requires the City to adopt standards and guidelines for applications and enforcement mechanisms.</p> <p>The low-income rental housing program exemption lasts 20 years. The nonprofit corporation low-income housing program must be applied for every year but can continue as long as the property meets the criteria. Rents must reflect the full value of the property tax abatement and City can add additional criteria.</p> <p>There is no requirement that construction must be complete prior to application. Programs both work well in tandem with other incentives, such as land banking.</p>	<p><b>Scale of Impact – Small to moderate.</b> The exemption reduces operating costs, meaning it is a tool more useful to property owners of affordable housing projects. Developers, who do not own and operate their own projects, may be less inclined to use the program.</p>

<sup>7</sup> City of Salem, “Multi Unit Housing Tax Incentive Program,” <https://www.cityofsalem.net/Pages/multi-unit-housing-tax-incentive-program.aspx>.

## Funding Sources to Support Residential Development

The following policies focus on ways to pay for the costs of implementing the affordable housing programs and infrastructure development.

Strategy Name	Description	Scale of Impact
Urban Renewal / Tax Increment Finance (TIF)	<p>Tax increment finance revenues are generated by the increase in total assessed value in an urban renewal district from the time the district is first established. As property values increase in the district, the increase in total property taxes (i.e., City, County, school portions) is used to pay off the bonds. When the bonds are paid off, the entire valuation is returned to the general property tax rolls. TIFs defer property tax accumulation by the City and County until the urban renewal district expires or pays off bonds. Over the long term (most districts are established for a period of 20 or more years), the district could produce significant revenues for capital projects. Urban renewal funds can be invested in the form of low-interest loans and/or grants for a variety of capital investments:</p> <ul style="list-style-type: none"> <li>• Redevelopment projects, such as mixed-use or infill housing developments</li> <li>• Economic development strategies, such as capital improvement loans for small or startup businesses which can be linked to family-wage jobs</li> <li>• Streetscape improvements, including new lighting, trees, and sidewalks</li> <li>• Land assembly for public as well as private re-use</li> <li>• Transportation enhancements, including intersection improvements</li> <li>• Historic preservation projects</li> <li>• Parks and open spaces</li> </ul> <p>Urban renewal is a commonly used tool to support housing development in cities across Oregon.</p>	<p><b>Scale of Impact – Moderate to Large.</b> Urban Renewal funding is a flexible tool that allows cities to develop essential infrastructure or provides funding for programs that lower the costs of housing development (such as SDC reductions or low interest loan programs). Portland used Urban Renewal to catalyze redevelopment across the City, including the Pearl District and South Waterfront.</p>

<p>Construction Excise Tax (CET)</p>	<p>Funds land use planning throughout the region by taxing construction permits. CET is a tax assessed on construction permits issued by local cities and counties. The tax is assessed as a percent of the value of the improvements for which a permit is sought, unless the project is exempted from the tax. In 2016, the Oregon Legislature passed Senate Bill 1533 which permits cities to adopt a construction excise tax (CET) on the value of new construction projects to raise funds for affordable housing projects. CETs may be residential only, commercial only, or residential and commercial. If the City were to adopt a CET, the tax would be up to 1% of the permit value on residential construction and an uncapped rate on commercial and industrial construction. The allowed uses for CET funding are defined by the state statute. The City may retain 4% of funds to cover administrative costs. The funds remaining must be allocated as follows, if the City uses a residential CET:</p> <ul style="list-style-type: none"> <li>• 50% must be used for developer incentives (e.g. fee and SDC waivers, tax abatements, etc.)</li> <li>• 35% may be used flexibly for affordable housing programs, as defined by the jurisdiction.</li> <li>• 15% flows to Oregon Housing and Community Services for homeowner programs.</li> </ul> <p>If the City implements a CET on commercial or industrial uses, 50% of the funds must be used for allowed developer incentives and the remaining 50% are unrestricted. The rate may exceed 1% if levied on commercial or industrial uses. The City of Portland's CET went into effect in 2016. It levies a 1% CET on residential, commercial, and industrial development valued at \$100,000 or more, with all revenues going toward affordable housing. The revenues pay for production of housing at or below 60% AMI, developer incentives for inclusionary zoning, along with state homeownership programs.</p> <p>City of Bend adopted a CET of 0.3% on residential, commercial, and industrial development in 2006, with revenues dedicated to loans to fund developments by profit and nonprofit affordable housing developers. The fee has raised \$11 million as of 2016, allowing the City to lend money to fund 615 units. The fund has leveraged \$63 million in state and federal funding and \$14 million in equity.</p> <p>The City of Milwaukie adopted a CET on commercial, residential, and industrial development in November of 2017. The City exempted deed-restricted affordable</p>	<p><b>Scale of Impact – Depends on the amount of funding available.</b></p>
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	<p>housing, ADUs, and improvements less than \$100,000 from paying the CET. The adopting ordinance allocates funds as required by state statutes, specifying that flexible funds from the commercial improvements will be used 50% toward housing available to those making up to 120% of MFI, and 50% for economic development programs in areas with sub-area plans (such as Downtown and Riverfront, and the City's urban renewal areas).</p>	
<p>General Fund and General Obligation (GO) Bonds</p>	<p>Allows funding for a project that is not dependent on revenue from the project to back the bond.</p> <p>City can use general fund monies on hand or can issue bonds backed by the full faith and credit of the city to pay for desired public improvements.</p> <p>Property taxes are increased to pay back the GO bonds.</p> <p>City of Portland passed \$258 million bond for affordable housing in 2016. The goal of the bond is to build or preserve up to 1,300 units in the next five to seven years. The city issued a request for information to solicit interest in acquiring properties or land under the affordable housing bond. The city is looking for opportunities to acquire existing properties of 20 or more units, or vacant land that is appropriately zoned for 20+ housing units, and is looking for both traditional and nontraditional development opportunities.</p>	<p><b>Scale of Impact – Moderate to large.</b> GO Bonds can be used to develop essential infrastructure or provides funding for programs that lower the costs of housing development (such as SDC reductions or low interest loan programs).</p>
<p>Local Improvement District (LID)</p>	<p>Enables a group of property owners to share the cost of a project or infrastructural improvement.</p> <p>A special assessment district where property owners are assessed a fee to pay for capital improvements, such as streetscape enhancements, underground utilities, or shared open space. For residential property, the estimated assessment cannot exceed the pre-improvement value of the property based on assessor records.</p> <p>An ordinance must be passed through a public hearing process which must be supported by a majority of affected property owners. Part of this process includes an estimation of the improvement costs and the portion of those costs in which property owners will be responsible to pay for. The public hearing process allows for LIDs to be challenged by property owners.</p> <p>The City collects the funds and regardless if the actual cost is greater than the estimated cost (on which the assessment was based), the City may make a deficit assessment for the additional cost, which would be prorated among all benefitted properties. Another public hearing would be held, in the event that an additional assessment were placed property owners (due to underestimation).</p>	<p><b>Scale of Impact – Depends on the amount of funding available and Bonding capacity.</b></p>

<p>General Fund Grants or Loans</p>	<p>A city can use general fund or tax increment dollars to directly invest in a specific affordable housing projects. These grants or loans can serve as gap funding to improve development feasibility. There are several options for using general fund grants or loans, including the potential for bonds to generate upfront revenue that is repaid over time, as recently approved in the City of Portland. Another option is to use general fund dollars to contribute to other programs that are successfully operating, such as non-profit land trusts or even other government agencies that have the administrative capacity to maintain compliance requirements over time, using intergovernmental agreements.</p>	<p><b>Scale of Impact – Depends on the amount of funding available.</b></p>
<p>Transient Lodging Tax (TLT)</p>	<p>Generates revenue by primarily taxing tourists and guests using temporary lodging services. Taxes for temporary lodging at hotels, motels, campgrounds, and other temporary lodgings. Oregon has a statewide TLT and cities and counties can also charge a local TLT subject to certain limitations. The statutes specify that 70% must be used for tourism promotion or tourism related facilities and 30% is unrestricted in use, and there cannot be a reduction of the total percent of room tax. The state tax is specified at 1.8%; local government tax rates vary as local governments set the rate for their jurisdiction by ordinance. Cities and counties may impose taxes on transient lodging. Alternatively, some cities have an agreement for the county to impose the tax and cities share in a percent of the revenue.</p>	<p><b>Scale of Impact – Small.</b> The amount of funding from TLT is likely to be relatively small, given that only 30% of TLT funds have unrestricted use.</p>
<p>CDBG</p>	<p>The Community Development Block Grants program is a flexible program that provides annual grants on a formula basis to both local governments and States. Grants are awarded on a 1, 2, or 3-year period. It is required that at least 70% of the CDGB funds are used for activities that benefit low- and moderate- income. Additionally, each activity must address any threats to health or welfare in the community (for which other funding is unavailable). These funds can be used for acquisition and rehabilitation of existing affordable units, as well as new construction that prioritizes community development efforts.</p>	<p><b>Scale of Impact – Depends on the amount of funding available.</b></p>