

A G E N D A

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METRO

Agenda

MEETING: METRO COUNCIL/EXECUTIVE OFFICER INFORMAL MEETING
DATE: July 13, 1999
DAY: Tuesday
TIME: 2:00 PM
PLACE: Council Annex

CALL TO ORDER AND ROLL CALL

I. LEGISLATIVE UPDATE

11. UPCOMING METRO LEGISLATION

Ordinance No. 99-811, For the Purpose of Adopting a Final Order and Amending the Metro Urban Growth Boundary for Contested Case No. 98-4: Tsugawa.

III. WASTE CONNECTIONS, INC.

IV. EXECUTIVE OFFICER COMMUNICATIONS

V. COUNCILOR COMMUNICATIONS

ADJOURN

DEPUTY PRESIDING OFFICER SUSAN MCLAIN

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METRO



July 12, 1999

The Honorable John Kitzhaber
State Capitol
Salem, Oregon 97310

RE: HB 2658B Inclusionary Housing

Dear Governor Kitzhaber:

I urge you to veto HB 2658B, which would prohibit local governments from using inclusionary housing to assure that market-rate affordable housing is built in new developments.

Metro recently created an Affordable Housing Technical Advisory Committee (H-TAC) to examine a number of tools local governments could adopt to address affordable housing issues in metropolitan areas. H-TAC is scheduled to make its recommendations to the Metro Council this year. HB 2658B would prevent H-TAC from even considering inclusionary housing, and could limit its consideration of other regulatory tools that may be effective in the Portland metropolitan area.

Providing affordable housing, such as starter homes, is essential to our region's livability. We cannot create vibrant and sustainable communities without ensuring that there are homes for a wide variety of people, including first-time homebuyers, white collar professionals, people in service industries, and elderly people on fixed incomes.

Communities with a diversity of housing and land uses can help reduce commute times for families, thereby reducing air pollution and congestion. Living near jobs also gives people a bigger stake in their communities.

It is critical that local governments have every tool possible at their disposal in order to provide affordable housing and create vital, livable, sustainable communities.

Sincerely,

Susan McLain
Deputy Presiding Officer

July 1, 1999

Governor John Kitzhaber
State Capitol
Salem, OR 97310

Re: HB 2658

Dear Governor Kitzhaber:

1000 Friends of Oregon strongly urges you to veto HB 2658, which will ban local governments from using inclusionary housing (sometimes known by the misnomer inclusionary zoning) to assure market-rate affordable housing in places where this kind of housing is most needed. HB 2658 threatens Oregon's proud tradition of using land use planning tools to break down government regulations and private barriers to lower cost housing.

Many parts of Oregon face the challenge of ensuring the availability of affordable housing in a quickly growing economy. In recent years, the availability of market rate housing has declined, due to choices made by builders. This problem was pointed out in the Oregon Housing Cost Study Final Report published by the Committee to Study Housing Affordability. The Report stated: "During the course of this study, there was anecdotal discussion about the individual choices made simultaneously by small builders in the 1990s to shift their product type away from 'starter homes' to more upscale units with higher profit margins and less risk." Oregon Housing Cost Study, December 1998, page 71. (Dick Benner of DLCD, John Van Landingham of the Oregon Housing Lobby Coalition and Jon Chandler of OBIA served on the Committee to Study Housing Affordability.)

Inclusionary housing is an affordable housing strategy that has been employed in a number of other areas around the country for years - even decades in some areas - and it can take a variety of forms. Generally, it is a tool that provides that when a certain number of housing units are being built, some percentage of them are set aside for rent or purchase by non-profit affordable housing providers or by those making between 80-100% of median income. It is a tool to make more market rate housing available. It can also take the form of optional density bonuses if a certain percentage of units are set aside in this manner.

Currently, Metro has established an Affordable Housing Technical Advisory Committee, which is made up primarily of builders and local government representatives, as well as nonprofit affordable housing providers. That Advisory Committee is in the process of examining a number of tools that local governments could adopt to address affordable housing issues in metropolitan areas. The Committee is scheduled to make its recommendations to the Metro Council this year. This bill forecloses the option of inclusionary housing from being considered by Metro or any other local government in the state.

Over the past few years, Metro has sponsored several workshops and conferences on affordable housing that included presentations by those involved with providing

affordable housing in other parts of the country. There are a variety of tools in use in other parts of the country to provide for affordable housing which we have not even considered in Oregon, including inclusionary housing. While this tool has proven successful and popular with both builders and local governments in other places, it is not the only tool being considered in the metropolitan area. It may or may not be part of the recommendations that the Affordable Housing Technical Advisory Committee makes to Metro, and even if it is, it could take any one of a myriad of forms. We believe it is inappropriate for the Legislature to prematurely step in and eliminate options that local governments may take to address the increasingly critical need for affordable housing.

Thank you for consideration of our views.

Sincerely,

Robert L. Liberty
Executive Director

To Bill Van Vliet
5 page, by fax
223-0663

June 15, 1999

To: Margaret Van Vliet, Office of Governor Kitzhaber
(c/o Bill Van Vliet, NOAH)
From: Tasha Harmon, Community Development Network
re: Talking Points on HB 2658

As I understand it, HB 2658 would prohibit city, county or metropolitan governments from adopting a land use regulation or functional plan provision or imposing as a housing unit or residential building lot or parcel to be designated for sale to any particular class or group of purchasers. It does also say that this does not limit governments' authority to create regulations implementing an incentive, contract commitment, density bonus or other regulation, provision or condition designed to increase the supply of moderate or lower cost housing units.

This would prohibit local governments from creating mandatory inclusionary zoning requirements. From my perspective, this is essentially a local control issue. I would hope that if it comes down to it, the Governor will veto it on those grounds. However, there are also plenty of reasons given the Governor's interest in livability issues to veto it on the merits of the issue itself. I have attached some basic material on what inclusionary zoning is and why it is useful, from presentations I've done over the years, but let me highlight a couple of things here,

- 1) It is crucial that local and regional governments have tools for ensuring that moderate income housing is developed in our growing communities. The public subsidies available for affordable housing are too limited to make this a wise use of public dollars at a time when the housing crisis for low and very low income people is so acute. Inclusionary zoning is perhaps the most effective tool for ensuring that starter homes for first time homebuyers and other people of modest means will be part of the new housing stock being created in our communities.

- 2) The for-profit real estate industry has a bad tendency to look for short term high returns rather than paying attention to the long term health of the industry (and, incidentally, our communities). This is even more true today that it has been in the past, with the globalization of the capital markets and the introduction of the RETTs into the markets. It is easier to create high short term returns by building expensive housing until overbuild is reached (at which point some people lose their shirts). This leads to the bidding up of land prices, which effectively prevents even the builders who want to build lower-cost homes from doing so (you can't build a \$120,000 house on a \$70,000 lot, but you can easily build a \$250,000 lot on it). Inclusionary zoning is an important tool for helping to control this kind of land speculation, since it notifies developers up front that they will not be able to build nothing but \$250,000 homes on this piece of land, but will need to include some simpler and more moderately priced units in what they do, and thus the land is worth less.
- 3) Inclusionary zoning works best when it is mandatory. This is because unless all developers are required to include some moderate income housing in their large development, those who choose not to can outbid those who want to do so on the land (as noted above). A mandatory inclusionary zoning policy can include density bonuses and other "incentives" to ensure that the developer can make money on his/her development (and indeed, all of our proposals have included many such "incentives"), but if the inclusionary policy is not REQUIRED it generally doesn't happen much, and it does not have a leveling effect on land prices.

Mandatory Inclusionary Zoning (from a presentation developed 2 yrs ago)

Mandatory Inclusionary Zoning is the only tool proposed that directly addresses the creation of stable, mixed income communities in areas of new development (the urban reserves, the River District, North Macadam, and indeed all of the communities experiencing growth booms). It asks the private sector to step up and provide for the portions of the affordable housing needs of the region they are best equipped to address without public subsidy -- the low end of market-rate housing. (We currently define low-end market housing as homes affordable to people at 60% of median family income for rental units and 100% of MFI for homeownership.) This is not a substitution for using public subsidies to create and maintain housing affordable to low and very-low income people. It is a policy designed to mandate that the private, for-profit sector create the affordable housing which can be developed without subsidies.

Opposition Arguments and Responses:

- A) Private developers cannot afford to sell/rent units at prices affordable to these income targets, and/or, if developers are required to do so they will have to make all the other homes in the development more expensive to compensate and this will just drive up prices in the market and make housing less affordable.
 - 1) Inclusionary zoning does not ask developers to build \$160,000 homes and sell 20% of them at \$100,000, it asks them to produce, as an integrated part of each

development, some smaller, simpler homes/apartments (perhaps with 2 bathrooms instead of 3, no wet bar, and no 3 car garage), that can be sold/rented at lower prices to lower-income people.

- 2) In a boom market like the one the Metro region is currently experiencing developers sell units at whatever the market will bear. Prices are not strongly connected to the actual cost of creating the home.
- B) Inclusionary zoning requirements will put the developers that have to comply at a competitive disadvantage.
- 1) This is why it is important that inclusionary zoning be done region-wide, for all new development over a fairly small size. This levels the playing field -- if every developer has to do it nobody gets a competitive advantage.
- C) Land costs are too high to make it possible for developers to produce units for people at the targeted incomes.
- 1) Land costs reflect what developers will pay, which in turn reflects how much developers think they will be able to sell the units for. Over time, land prices will adjust to the inclusionary zoning requirements by falling (or rising less rapidly), just as they have adjusted to the recent increase in demand by rising. There may be some specific cases in the transition period where developers will have to reduce their expected profit margins to meet the inclusionary zoning requirements, but they will still be able to make a profit.
 - 2) Density bonuses can be offered to developers to lower the per-unit land costs and therefore make it easier for them to comply with inclusionary zoning requirements. (Density bonuses allow a developer to build more units that zoning would ordinarily allow in exchange for an agreed upon "public benefit" like affordable housing.)
- D) The market-rate units will be less marketable/won't sell -- people want to live in certain kinds of communities (read without low-income people) and won't buy/rent in projects that include "affordable" units, and/or, building "affordable" units in these projects will lower overall property values.
- 1) Montgomery Co. Maryland has had inclusionary zoning in place for 20 years and reports no such results. There is no evidence that this is true if the units are well designed/fit into the community and are scattered throughout the development rather than being concentrated in one spot.
 - 2) The most vibrant and sustainable communities are those that house a wide variety of people, which provide housing opportunities for adult-children just leaving home, first-time homebuyers, white collar professionals, the people who provide services of all kinds in the community, elderly people on fixed incomes, etc. Providing for many housing options can allow people going through difficult times (divorce, job loss, illness, etc.) to stay in their community even if they need lower-cost housing, thus reducing the trauma involved. Communities with this kind of diversity (particularly if also designed with a diverse mix of land uses) can help to reduce commute time for families and give them a stronger stake in their community by allowing them to live and work in the same place, and reduce air pollution and congestion on the roads.



METRO

July 8, 1999

The Honorable John Kitzhaber, M.D.
Governor, State of Oregon
254 State Capitol
Salem, OR 97310

Dear Governor Kitzhaber:

I am writing to ask you to veto HB2658. I write this in both my capacity as Executive Officer and as an individual. Metro has not taken an official position on this bill and the Metro Council has not deliberated the matter.

Metro's General Counsel did ask the bill's sponsor, The Oregon Homebuilder's Industry Association, to add a section to insure that at least local governments would not lose any existing authority nor be prohibited from offering incentive-based options to provide affordable housing. The result of that was an amendment which has become Section 2 of the B engrossed version of the bill.

Notwithstanding that amendment, I would ask you to veto this bill. Local governments, including Metro, have been given the responsibility for building livable communities that work. At the same time, we have been given responsibility for ensuring housing and transportation options, seeing to it that commerce can flow, that jobs are available, that water is clean and available, that the air is clean and that people have openspaces and recreational opportunities. While these responsibilities are shared with the state, the ability to equitably pay for these fundamental services, especially in an era of extremely high growth fall primarily to local governments.

The home building industry which benefits greatly from this growth (in monetary terms) has been consistent in its efforts to limit local governments' ability to asses the cost of infrastructure elements by preempting local government authority; limiting system development charges, RETT and construction excise taxes and HB2658 are examples of attempts by this industry to preempt local authority. This same industry which recoils against any attempt to equitably fund the community cost of growth also expects the general community to assume an inequitable burden of the cost that development places on that same community.

I recently met with a group of homebuilders representing the Metro area association. They were concerned about my efforts to put a "pause" on the UGB expansion while we assess the impact of the ESA on steelhead and especially the ability of local governments in some cases to pay the cost for expanding infrastructure. As I looked around at this group, I realized every one of them had a stake in a particular parcel slated for expansion, yet each expressed concern that more land was needed for growth. No doubt, but where and how are we to cover the costs. I challenged them to bring something **positive** to the table, and to not just complain that we were "underestimating" or "cooking the numbers" to achieve less expansion. I await their response.

I doubt that Metro would ever mandate inclusionary zoning or adopt replacement ordinances; we fully realize those would end up in court for years and may not achieve the goals anyway. But why is it necessary to take one more swipe at local governments who are trying to deal with a very complex matter?

The public I speak to and meet with are having very serious doubts about growth in general. They are especially concerned about who "pays" for growth and feel inequitably burdened by the costs. Quite frankly, I agree with that public. We all should bear a portion of costs because there is some benefit, but those costs must be proportionate to value achieved. It is time that the development community put some positive efforts into these questions and quit shipping away at local efforts to solve these problems. Please veto HB 2658.

Best regards,

Mike Burton
Executive Officer