BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF ACCEPTING THE REGIONAL AFFORDABLE HOUSING STRATEGY RECOMMENDED BY THE AFFORDABLE HOUSING TECHNICAL ADVISORY COMMITTEE APPOINTED BY THE METRO COUNCIL	)	RESOLUTION NO 00-2956B Introduced by Councilor Washington

WHEREAS, The Metro Council adopted the Regional Framework Plan in Ordinance 97-715B, including section 1.3 Housing and Affordable Housing, which established policies related to housing and affordable housing; and

WHEREAS, The Metro Council adopted Ordinance 98-769, on September 10, 1998, amending the Regional Framework Plan, including amended section 1.3 regarding housing and affordable housing which authorized the Affordable Housing Technical Advisory Committee (HTAC), and provided for confirming the appointment of members, as codified in Metro Code 3.08; and

WHEREAS, the Metro Code 3.08.030 states that H-TAC shall report to the Metro Council with a recommendation for the adoption of the Regional Affordable Housing Strategy Plan; and

WHEREAS, the recommendation must be first submitted to MPAC as a preliminary recommendation for review and comment consistent with Metro Code 3.08.040; and

WHEREAS, prior to the recommendation to the Metro Council, the H-TAC shall conduct at least one public hearing; and

WHEREAS, H-TAC has been meeting since September of 1998 to develop the affordable housing production goals and implementation strategies described in the *Regional Affordable Housing Strategies* (RAHS); and

WHEREAS, At H-TAC's request, the Metro Council adopted Ordinance No. 99-833 that extended the deadline for H-TAC to complete their work and make recommendations to the Metro Council from December 1999 to June, 2000; and

WHEREAS, H-TAC created and utilized subcommittees (Fair Share, Cost Reduction, Land Use and Regulatory, Regional Funding and Outreach Subcommittee) meeting regularly, from October 1998 to March 2000, to develop the affordable housing productions goals, implementation strategies described in the RAHS and develop public involvement strategies; and

WHEREAS, the Fair Share Subcommittee analyzed housing data, estimated the Benchmark Need for affordable housing to 2017 and recommended options for a regional five-year affordable housing production goals; and

WHEREAS, the Land Use & Regulatory Subcommittee developed land use strategy reports and recommendations based on factual information for seven strategies and tools included in the RAHS; and

WHEREAS, the Cost Reduction Subcommittee developed non-land use strategy reports and recommendations based on factual information for nine strategies and tools included in the RAHS; and

WHEREAS, the Regional Funding Subcommittee developed a regional funding strategy report and recommendations based on factual information for strategies and tools for maximizing existing resources and strategies and tools for new funding sources; and

WHEREAS, H-TAC has reviewed, revised and approved by motions all the draft strategy reports prepared by the Cost Reduction Subcommittee, Land Use & Regulatory Subcommittee and Regional Funding Subcommittee, and used them to develop the strategies for increasing and preserving the inventory of affordable housing included in the RAHS consistent with the Regional Framework Plan requirements; and

WHEREAS, H-TAC held three focus groups to gather technical comments on the strategies, convened four community round table discussions around the region to provide opportunity for citizen comments, and held one public hearing as required by Metro Code; and

WHEREAS, H-TAC presented its work to MPAC on February 24, 1999, June 9, 1999, December 8, 1999, April 26, 2000 and May 10, 2000 and received MPAC comments; and

WHEREAS, H-TAC and staff presented H-TAC work to the Metro Council on April 27, 1999, June 8, 1999, December 7, 1999, December 16, 1999, March 28, 2000, and April 13, 2000 and received Metro Council comments; and

WHEREAS, H-TAC revised the RAHS at its May 8 and 22 and June 12, 2000 meetings to address concerns voiced at the focus groups meetings, community round table discussions, public hearing, MPAC and Metro Council meetings; and

WHEREAS, H-TAC at its June 12, 2000 meeting reached a decision to forward its recommendations in the form of the June 2000 Regional Affordable Housing Strategy (RAHS) to the Metro Council; and

WHEREAS, H-TAC has fulfilled Metro Code requirements having submitted the Regional Affordable Housing Strategy to MPAC and having held at least one public hearing for the purpose of gathering comment from citizens and local governments: and

now, therefore,

BE IT RESOLVED;

1. That the final recommendations of the Affordable Housing Technical Advisory Committee (H-TAC) are hereby accepted by the Metro Council as follows:

    a) The June 2000 Regional Affordable Housing Strategy (RAHS) in Exhibit "A" containing the affordable housing production goals and implementation strategies for the region and local governments is hereby accepted for development of appropriate amendments to regional policies.

    b) The appendices for the RAHS in Exhibit "B" including factual information upon which H-TAC based its recommendations are accepted to be considered for the decision record for amendments to regional affordable housing policy.

    c) A summary of citizen comments and HTAC response from the May 11, 2000 public hearing on the RAHS in Exhibit "C" are accepted to be considered for the decision record for amendments to regional affordable housing policy.

    d) Letters of comment about the work of H-TAC and the RAHS in Exhibit "D" are accepted to be considered in the decision record for amendments to regional affordable housing policy.

2. Metro Council hereby directs staff to develop an ordinance for consideration of appropriate amendments to the Regional Framework Plan and Urban Growth Management Functional Plan to include the recommendations in the RAHS in regional policy.

3. That the Metro Council, through adoption of an ordinance, will establish a starting point and procedures for local governments to report their progress in meeting their requirements in any amendments to the Urban Growth Management Functional Plan recommended in the RAHS.

ADOPTED by the Metro Council this 22nd day of June 2000.

David Bragdon, Presiding Officer

ATTEST:

Recording Secretary

Approved as to Form:

Daniel B. Cooper, General Counsel

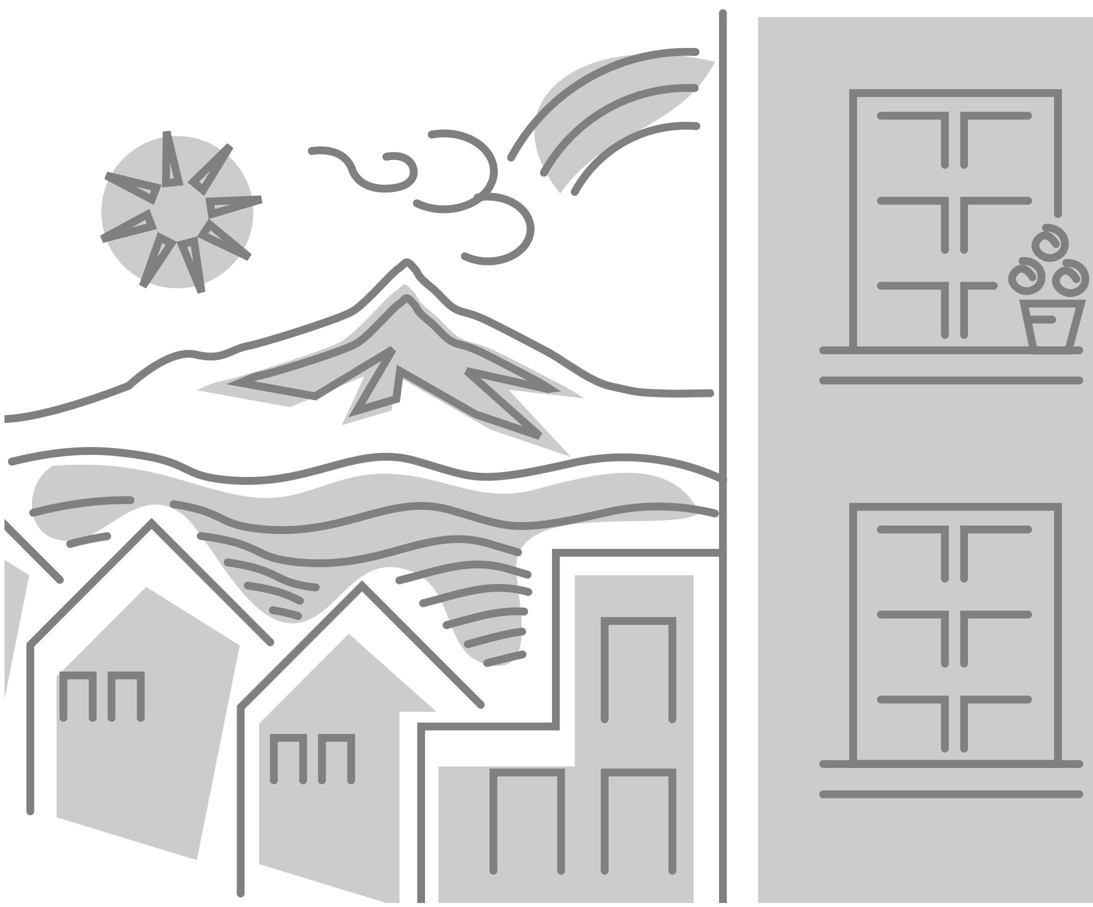
Affordable Housing

Exhibit A to Resolution 00-2956B

Regional Affordable Housing Strategy

Recommendation of the Affordable Housing Technical Advisory Committee accepted by the Metro Council

June 22, 2000



METRO
Regional Services
Creating livable communities

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Acknowledgements

Affordable Housing Technical Advisory Committee
(Members and Alternates)

Multnomah County local government
Commissioner Diane Linn, Multnomah County Commission, chair
Ramsay Weit, Multnomah County, alternate

Land-use professionals
Jeff Condit, Miller Nash LLP, vice-chair
Phillip E. Grillo, Miller Nash LLP, alternate

Nonprofit affordable housing provider – Clackamas County
Diane Luther, Northwest Housing Alternatives, Inc.

Nonprofit affordable housing provider – Multnomah County
Dee Walsh, REACH Community Development, Inc.
Ralph Austin, Innovative Housing, alternate

Nonprofit affordable housing provider – Washington County
Sheila Greenlaw-Fink, Community Partners for Affordable Housing
Renita Christle Gerard, Community Partners for Affordable Housing, alternate

For-profit housing provider
David Bell, GSL Properties, Inc.
I.D. (Doug) Draper, Genstar Land Co. NW, alternate

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Doug Obletz, Shiels Obletz Johnsen LLC
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Tim Nielsen, Clackamas County Housing Authority, alternate

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Washington County local government
Commissioner Andy Duyck, Washington County Commission

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Cities of Multnomah County
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Ed DeWald, Bank of America, alternate

Financing institution
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Liora Berry, Cascade Aids Project
Lowell Greathouse, Community Action Organization, alternate

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Steve Weiss, Community Alliance of Tenants, alternate

Residents of affordable housing
Tasha Harmon, Community Development Network

Business community and major employers
Pat Ritz, Oregon Title Insurance Co.
Mindy Sullivan, Oregon Title Insurance Co., alternate

The Governor's Task Force on Aging (non-voting)
Alice Neely, Governor's Commission on Senior Services
Jan Tucker-McManus, Clackamas County Department of Human Services (alternate)

Oregon Housing and Community Services Department (non-voting)
Vince Chiotti, Oregon Housing and Community Services Department
Margaret Van Vliet, Governor's Community Development Office (alternate)

Federal Housing Administration (non-voting)
Tom Cusack, U.S. Department of Housing and Urban Development
Roberta Ando, HUD, alternate

Metro Council Liaison
Councilor Ed Washington

Acknowledgments (Continued)

- A grant from the Fannie Mae Foundation funded a significant portion of: 1) the analysis and production of the land use, non-land use, and regional funding subcommittee reports (Appendix C); 2) focus groups for technical review (Appendix E.1); and 3) Community Roundtable Discussions (Appendix E.2). The views and conclusions contained in this document are those of the authors and should not be interpreted as necessarily representing the official policies, either expressed or implied, of the Fannie Mae Foundation.

- A grant from the Oregon Department of Land Conservation and Development funded the acquisition of additional data used to estimate the amount of housing affordable in the region. The views and conclusions contained in this document are those of the authors and should not be interpreted as necessarily representing the official policies, either expressed or implied, of the Oregon Department of Land Conservation and Development.

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Mike Burton

Metro Auditor
Alexis Dow

Metro Councilors
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Deputy Presiding Officer, District 5 - Ed Washington
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District 2 – Bill Atherton
District 3 - Jon Kvistad
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Metro – planning that protects the nature of our region

It's better to plan for growth than ignore it. Metro serves 1.3 million people who live in Clackamas, Multnomah, and Washington counties and the 24 cities in the Portland metropolitan area. Metro provides transportation and land-use planning services and oversees regional garbage disposal and recycling and waste reduction programs. Metro manages regional parks and greenspaces and the Oregon Zoo and oversees the trade, spectator and arts centers managed by the Metropolitan Exposition-Recreation Commission.

Metro is governed by an executive officer, elected regionwide, and a seven-member council elected by districts. An auditor, also elected regionwide, reviews Metro's operations.

List of Acronyms

Federal Government

CDBG: Community Development Block Grant
CRA: Community Reinvestment Act
ESG: Emergency Shelter Grant
FHA: Federal Housing Authority
HOME: HOME Investment Partnership
HOPWA: Housing Opportunities for Persons With AIDS
HUD: U.S. Department of Housing and Urban Development
LIHTC: Low Income Housing Tax Credit
SSB: Social Security Benefits
SSI: Supplemental Security Income

State Government

DLCD: Department of Land Conservation and Development
LCDC: Land Conservation and Development Commission
OAHTC: Oregon Affordable Housing Tax Credit
OHCSD: Oregon Housing and Community Services Department

Regional Government

H-TAC: Affordable Housing Technical Advisory Committee
JPACT: Joint Policy Advisory Committee on Transportation
MCCI: Metro Committee on Citizen Involvement
MPAC: Metro Policy Advisory Committee
MTAC: Metro Technical Advisory Committee
RAHS: Regional Affordable Housing Strategy
RFP: Regional Framework Plan
RELM: Real Estate Location Model
RLIS: Regional Land Information System
RUGGOs: Regional Urban Growth Goals and Objectives
TPAC: Transportation Policy Advisory Committee
UGMFP or Functional Plan: Urban Growth Management Functional Plan

Other Acronyms:

CDC: Community Development Corporation
CLT: Community Land Trust
GIS: Geographic Information System
LEM: Location Efficient Mortgage
MHI: Median Household Income
NIMBY: Not-In-My-Back-Yard
RETT: Real Estate Transfer Tax
SDC: System Development Charge
TDR: Transfer of Development Rights
TIF: Tax Increment Financing
UGB: Urban Growth Boundary

Chapter One: Introduction

I. WHY IS AFFORDABLE HOUSING A REGIONAL ISSUE?

Having a home is a fundamental human need. A home represents shelter, safety, and security. It's the place where we gather with family and friends and retreat from outside cares. It's where we do most of our living.

A home can be found in many different types of structures. The traditional single-family house comes to mind readily, but other types of housing meet the economic and lifestyle needs of the region's diversifying population. Row houses, condominiums, manufactured houses, apartments, and even houseboats provide homes for people in our region. For most people, the cost of housing is a major consideration in the selection of a home. Many factors can affect the cost, including housing market demand, neighborhood amenities, vitality of the region's economy, and the availability of housing by type within various price ranges.

Throughout the 1990s, demand for housing in the Portland metropolitan region was strong due in large part to a strong economy. Because of the economy, jobs increased and the population in the region grew rapidly. Sometimes jobs are located in jurisdictions that have limited affordable housing opportunities. A large portion of a family's income is then spent getting to and from work. Additionally, the number of people in a household has been shrinking for the past 20 years as children leave home, the population ages, and more single households are created, thus increasing the demand for housing. Because of limited affordable housing, some people have no housing and many people are purchasing or renting more expensive homes than they can afford.

The livability of our region is directly affected by the availability of a sufficient amount of housing affordable to all residents. The impact of affordable housing on the livability of our region is reflected in:

- ***Household stability***
- ***A healthy, diverse economy***
- ***Employees' productivity***
- ***Cost of doing business***
- ***Strong tax base***
- ***Complete communities that accommodate people of all ages, physical conditions and incomes***

A variety of housing choices throughout the region enhances livability by providing family and neighborhood stability. Examples include providing our children with secure homes to study in, and providing the elderly, people with disabilities, and young adults the ability to stay in the communities they are familiar with. A diversity of housing types throughout the region would give residents the confidence and choice to transition from one housing type to another, for example a single family home to a condominium or a parent's home to an apartment, within familiar areas. This personal stability translates directly into neighborhood, community and regional stability.

<u>The Portland metropolitan region functions as one housing market.</u> People may live in one part, work in another and shop in yet another part of the region. In many areas in the region, there are few affordable housing options for the people who work there. This means that workers must drive from other parts of the region, using time and scarce resources while increasing congestion and pollution. A population that can rely upon access to adequate housing choices near employment and services will be less mobile and more aware of their immediate community.

The connection between housing and employment is very important to both employers and employees. Businesses will experience lower employee turn over costs when employees have affordable housing.

Affordable housing is difficult to address locally in a regional housing market. The efforts of one city to provide housing for lower income residents may seem futile if neighboring communities do not make similar efforts. Some jurisdictions have expressed concern over the varying levels of effort shown by other municipalities to address the lack of affordable housing. Some of the concerns relate to the need for a wide choice of housing types, jobs-housing balance, and mitigating concentrations of poverty.

Sometimes the region suffers from a misunderstanding of who needs affordable housing. The shortage of housing affects a wide variety of residents in our region – particularly families or households earning 50% ($26,850) or less of the region's annual median household income (MHI). Examples of households that fall into this category include case manager at a nonprofit public defender's office, special education teacher, cashier for a department store, dental assistant, school bus driver, hair dresser, pharmacy assistant and many retired persons (this is further discussed in Chapter Two: Affordable Housing Needs). Using Metro's 20-year planning horizon, the Affordable Housing Technical Advisory Committee (H-TAC) has estimated a benchmark need for affordable housing for households earning less than 50%MHI to 2017 to be 90,479 units.

This plan has been developed with the expectation that providing affordable housing opportunities in all communities throughout the region will increase the inventory of affordable housing and improve the region's overall livability. The direction suggested herein reflects the region's commitment to maintaining stable, diverse communities, consistent with Metro's acknowledged 2040 Growth Concept. Hence, this plan contains strategies that will increase housing choices in every jurisdiction in the region, especially if all jurisdictions increase their efforts to provide opportunities and remove barriers to development of affordable housing.

II. EXISTING POLICIES

Federal Policies

The federal government -is a key player in providing affordable housing to citizens of our country. The main agency involved in facilitating the provision of housing is the U.S. Department of Housing and Urban Development (HUD). HUD's mission is: "a decent, safe, and sanitary home and suitable living environment for every American." HUD was created in 1965 as a cabinet level agency.

Federal government funding for affordable housing is mostly funneled through states, counties and cities. Some of the main housing funding programs include HOME, CDBG (Community Development Block Grant), - homeless funding, and Section 8 project and tenant based vouchers. In addition HUD's 65-year-old Federal Housing Authority (FHA) loan program provides significant resources for homebuyers using private capital; FHA's low down payments resulted in more than 3,500 first time homebuyer loans in 1999.

For HUD, CDBG, and HOME funding, local governments must develop a *Consolidated Plan* for addressing local housing needs every five years in order to receive federal funds for housing and other community revitalization programs. Included is a required analysis of fair housing impediments. Changes in federal law in 1999 also now require that housing authorities complete 5 year plans for the programs that they administer in partnership with HUD. More information about HUD operations in Oregon are available from their website at www.hud.gov/local.por

State Policies

Oregon Department of Land Conservation and Development

There are several state mandates including state land use policies that guide local governments and Metro with regard to housing. These include: Goal 10 (Housing) and Goal 14 (Urbanization) of the Statewide Land Use Planning Program, and Oregon Administrative Rules (OAR) Chapter 660, Division 7. Basic requirements of these mandates are described below.

Goal 10 – Housing. To provide for the housing needs of citizens of the state.

- Buildable lands inventory by local governments must ensure that there is sufficient residential land available.
- Comprehensive plans prepared by local governments shall encourage adequate numbers of housing units at price ranges and rent levels that are commensurate with the financial capabilities of Oregon households and allow for flexibility of housing location, type, and density.

Goal 14 – Urbanization. To provide for an orderly and efficient transition from rural to urban land use.

- Establishment and change of urban growth boundaries will be based on consideration of the need for housing, as well as jobs and other urban land uses inside urban growth boundaries.

Metropolitan Housing Rule (MHR) – adopted as Division 7 of Chapter 660 of the OAR. Purpose: "to assure opportunity for the provision of adequate numbers of needed housing units and the efficient use of land within the Metropolitan Portland urban growth boundary, to provide greater certainty in the development process and so to reduce housing costs." A basic summary of the MHR is provided below:

- Called upon Metro to ensure that regional housing needs were met through coordinating comprehensive plans to meet the projected housing needs.
- Designed to achieve basic objectives of Goal 10 by providing an appropriate housing mix and enhancing affordability.
- Designed to contribute to the success of the Metro urban growth boundary by mandating minimum average densities and housing mixes for the efficient use of buildable lands.
- Jurisdictions must designate sufficient buildable land to provide the opportunity for at least 50% of new residential units to be attached single-family or multi-family housing.
- Relies heavily on a set of average residential densities: 6/8/10
  - Six largest cities must have an overall density of 10 units per net buildable acre.
  - Majority of other cities must have 8 units per net buildable acre.
  - Smallest communities are required to have 6 units per net buildable acre.
  - These minimum average residential densities are now required to be exceeded by Title 1 of Metro's 1996 Urban Growth Management Functional Plan.

Oregon Housing and Community Services Department (OHCS)

The Oregon Legislature directs policy for Oregon Housing & Community Services (OHCS) through state statutes. The statutes acknowledge that a serious need for safe, sanitary, affordable housing exists within the state and that private financing sources are unable to address this need. The laws affirm the public purpose in solving housing problems, and direct the department to identify the problems and respond with appropriate solutions. Congress also passes laws and creates programs administered by OHCS.

Oregon's Governor John Kitzhaber has also focused on affordable housing through several initiatives, including the Community Solutions Team, Quality Development Objectives, and Oregon Strategy for Social Support. The State of Oregon Consolidated Plan for Housing and Community Development prioritizes HOME, CDBG, and ESG program funding with a "worst case needs first" policy, effectively focusing resources toward the lowest income households possible. The department's Consolidated

Funding Cycle, the distribution tool for grant and tax credit resources, provides policy guidance for affordable housing developments through project evaluation criteria.

OHCS is Oregon's state housing finance agency and a major advocate for affordable housing. Its mission is "to reach out for opportunities to create partnerships that improve Oregonian's lives and the quality of our communities." Since 1977, OHCS has used bond financing to generate homeownership and multifamily rental housing opportunities for Oregonians. Grants, tax credits, and other incentives have also become critical tools for producing and maintaining rental housing and housing for persons with special supportive service needs. Public resources are leveraged with private capital through partnerships with non-profit and for-profit organizations across the state. The department also requires that supportive services appropriate to the residents be provided in conjunction with the housing.

Regional Policies

Housing has been identified as a significant regional issue by Metro for many years. In 1991, Metro worked with citizens of the region to develop the Regional Growth Goals and Objectives (RUGGOs), to guide in the development of policies to manage and direct growth to achieve the goals of the region. The RUGGOs, acknowledged by the State Land Conservation and Development Commission (LCDC), include the 2040 Growth Concept and map of the region's desire to grow "up not out" with increased densities in mixes use "centers" that include transit and other non-auto transportation choices.

The 2040 Growth Concept was implemented by adoption of the Urban Growth Management Functional Plan (UGMFP) in 1996. Title 1 of the Functional Plan requires changes in city and county comprehensive plans to zone for increased densities in regionally designated mixed-use centers, main streets, and corridors.

The Metro Charter, approved by voters in 1992, called for the creation of two planning products: the Future Vision and the Regional Framework Plan (RFP). The table below describes the evolution of housing policy at Metro since the adoption of the Regional Growth Goals and Objectives (RUGGOs) in 1991, up to the Metro Council's creation of the Affordable Housing Technical Advisory Committee (H-TAC) and the charge to develop this *Regional Affordable Housing Strategy (RAHS)*.

Table 1. History of Housing Policy at Metro

Year	Policy
1991	***Regional Urban Growth Goals and Objectives (RUGGOs)*** The Regional Urban Growth Goals and Objectives (RUGGOs), originally adopted in 1991 and amended in 1995, include a set of integrated goals and objectives in the form of text and a map, called the 2040 Growth Concept. The RUGGO 2040 Growth Concept provided a blueprint to guide development of the Urban Growth Management Functional Plan. *Objective 17, Housing* states that: "The Metro Council shall adopt a "fair share" strategy for meeting the housing needs of the urban population in cities and counties based on a subregional analysis that provides for: ♦ Diverse range of housing types; ♦ Specific goals to ensure that sufficient and affordable housing is available to households of all income levels that live or have a member working in each jurisdiction; ♦ Housing densities supportive of the development of the regional transportation system; and ♦ A balance of jobs and housing."
1995	***Future Vision*** The Future Vision, adopted by the Metro Council in 1995, is a long-term, visionary outlook for at least a 50-year period. The vision describes population levels and settlement patterns that the region can accommodate within the carrying capacity of the land, water and air resources of the region, and its educational and economic resources, and that achieves a desired quality of life. The Future Vision guided development of the Regional Urban Growth Goals and Objectives (RUGGOs) and the RFP. Following are the vision statements related to affordable housing. ♦ *Children* - "Incorporate the needs of children for healthy, safe and accessible living environments in RFP elements dealing with the transportation system, housing, urban design and settlement patterns, and parks and open spaces." ♦ *Diversity* - "Focus public policy and investment on the creation of mixed-use communities that include dedicated public space and a broad range of housing types affordable for all." ♦ *Vital Communities* - "Incorporate specific expectations for a specific standard of living for all citizens in RFP elements concerned with urban design, housing, transportation, and parks and open spaces." ♦ *Variety in Our Communities and Neighborhoods* - "Provide incentives, including preferential funding for the acquisition of greenspaces and development of transportation facilities, to communities which act to provide a range of housing types for people of all income levels within their boundaries." ♦ *Equity* - "Identify the presence of pockets of poverty as a metropolitan problem. Address the issues associated with chronic poverty locations throughout the nine-county region through such mechanisms as tax base sharing, pursuing changes in tax codes, overcoming physical and economic barriers to access, providing affordable housing throughout the area and targeting public investments."
1996	***Urban Growth Management Functional Plan (UGMFP)*** The regional policies adopted in the *Urban Growth Management Functional Plan* (UGMFP) "recommend" or "require" changes to city and county comprehensive plans and implementing ordinances. *Title 1 – Requirement for Housing and Employment Accommodation* requires cities and counties to change their zoning to accommodate development at higher densities in locations supportive of the transportation system. *Title 7 – Affordable Housing* recommends that cities and counties increase their efforts to provide for the housing needs of households of all income levels that live or have a member working in each jurisdiction and that they consider implementation of several tools and approaches to facilitate the development of affordable housing.
1997-1998	***Urban Reserves Policy*** In designating Urban Reserves, *Metro Code, Ordinance No. 96-655E 1997, section (e) Urban Reserve Plan Required* addresses the need to plan for affordable housing before bringing urban reserves into the urban growth boundary. This ordinance was recently amended by Ordinance 98-9772B, which maintains these requirements and also added them to the Functional Plan as Title 11. *Item (5)* requires demonstrable measures that will provide a diversity of housing stock. *Item (6)* requires a demonstration of how residential development will include, without public subsidy, housing affordable to households with incomes at or below area median incomes for home ownership and at or below 80% of area median income for rentals.
1998	***Regional Framework Plan (RFP)*** On December 18, 1997, Metro Council adopted the Regional Framework Plan (RFP). All of Metro's efforts in developing regional housing policies came into play when writing the RFP. Section 1.3 of Chapter 1 of the RFP (Land Use), contains Metro policies that address housing and affordable housing.[1] These policies were amended in September 1998 under Metro Ordinance No. 98-769. The amended policy is the outcome of mediation between local governments, Metro and affordable housing providers. The mediated policy: ♦ considers local governments concerns while addressing the goals and objectives embodied in the RUGGOs; ♦ includes the recommended measures for improving availability of affordable housing outlined in the Future Vision, Functional Plan and Metro Code.

[1] See RFP Policy 1.3: Housing and Affordable Housing or Appendix A (Ordinance No. 98-769).

Local Policies

To date, local jurisdictions have made some significant efforts to address affordable housing using their comprehensive plan, zoning codes, and resolutions following State Housing Goal 10 and the Metropolitan Housing Rule during the 1980s and 1990s, and Metro's Urban Growth Management Functional Plan since 1996. Some key areas that have been addressed locally during this time include:

- Provisions that allow accessory dwelling units or secondary apartments in single-family residential zones;
- Increased density in transit corridors and mixed-use areas;
- Community empowerment zones; and
- Increased growth of non-profit housing developers.

Some local governments have implemented tools and strategies to encourage the production and retention of affordable housing. Additional information on locally adopted strategies may be found in Table 12 in Chapter Four, as well as in Appendix F.

III. THE AFFORDABLE HOUSING TECHNICAL ADVISORY COMMITTEE (H-TAC)

In 1998, the Metro Council created the Affordable Housing Technical Advisory Committee (H-TAC) to carry out the actions identified in the Regional Framework Plan (RFP). The Committee consists of 28 representatives from local governments, nonprofit and for-profit developers, the business and financial community, affordable housing advocates, and representatives from the governor's office, Oregon Housing and Community Services Department, and the U.S. Department of Housing and Urban Development. The charge the Metro Council gave the committee is outlined below:

- "…(A)ssist in carrying out the provisions of (the RFP, Sect. 1.3) and identify cooperative approaches, regulatory reforms and incentives to be considered to ensure that needed affordable housing is built."
- Develop "(t)he Regional Affordable Housing Strategy (RAHS) (that) will include numerical "fair share" targets (affordable housing goals) for each jurisdiction to be adopted in the Urban Growth Management Functional Plan…" and strategies that may be needed to attain the goals.
- "The Strategy (RAHS) will contain recommendations for further actions [by the Metro Council], including appropriate amendments to the Urban Growth Management Functional Plan for those elements which are suitable for implementation through comprehensive plans and zoning regulations, as well as voluntary measures."

As discussed earlier, housing is an issue that affects the livability of the region for all residents. The Metro Council, in consultation with MPAC, determined that affordable housing "is a growth management and land use planning matter that is of metropolitan concern and will benefit from regional planning."[2] Thus, the goal of H-TAC was to develop a strategy for addressing the housing needs of current and future residents of the Metro region that could be implemented on a regional level through the cooperation of the cities and counties.

H-TAC members have met since September 1998 to develop the affordable housing goals and implementation strategies described in this *Regional Affordable Housing Strategy (RAHS)*. The committee's approach has included community outreach throughout the process to get input from the public and other interested parties.

Decision Making Process

The RFP and Metro Code 3.07.030, stated that the H-TAC shall forward its recommendations for the adoption of the Regional Affordable Housing Strategy (RAHS)[3] to MPAC[4] for its review prior to being

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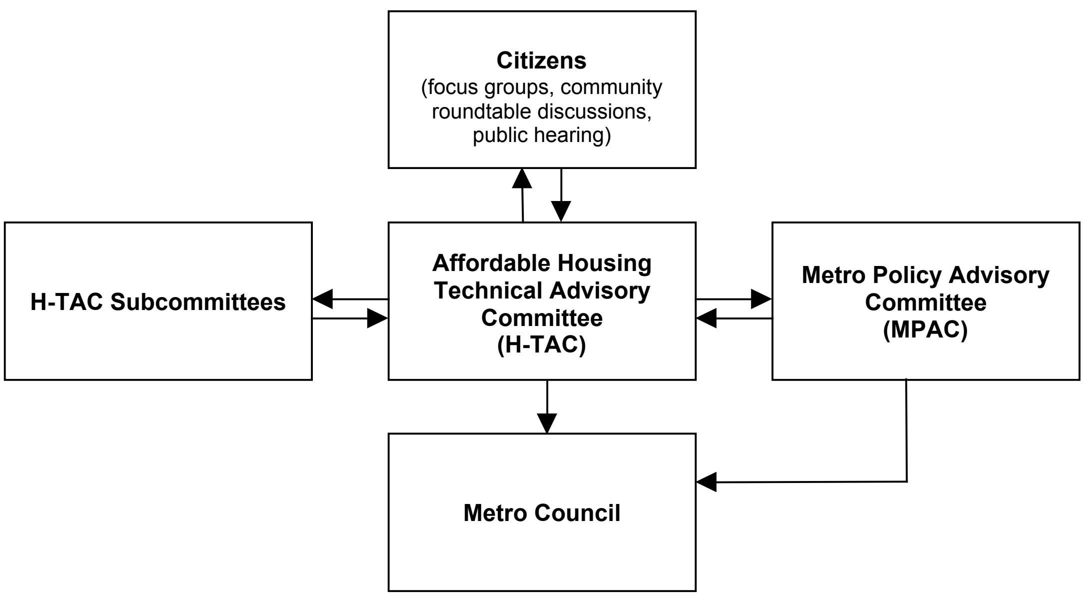
[2] *Regional Framework Plan*, Section 1.3, p.1.
[3] The Regional Framework Plan Policy stated that the RAHS would not be a regulatory document.

transmitted to the Metro Council. The recommendations in the RAHS should include any recommendations for the adoption of or amendments to the RFP and the Functional Plan. The Code also states that prior to making a recommendation, H-TAC should conduct at least one public hearing and invite interested citizens and government officials to testify.

H-TAC used the preliminary analysis and recommendations of the following six subcommittees to develop this plan and the recommendations herein.

- *Cost Reduction Subcommittee:* This subcommittee developed strategies to address certain cost factors affecting housing affordability, as well as other tools as assigned in the RFP.
- *Land Use and Regulatory Subcommittee*: This subcommittee developed strategies for implementing the land use and regulatory approaches identified in the RFP.
- *Regional Funding Subcommittee*: This subcommittee developed options for creating a regional fund for affordable housing, considering possibilities identified in the RFP as well as other ideas advanced by H-TAC.
- *Fair Share Subcommittee*: This subcommittee developed a formulaic model for achieving an equitable distribution of housing opportunities among jurisdictions in the region, including the distribution of a five-year regional affordable housing production goal for assisted housing for jurisdictions in the Metro region.
- *Outreach Subcommittee:* This subcommittee developed an Outreach Workplan Outline and assisted staff in developing public involvement materials and implementing public involvement activities.
- *RAHS Subcommittee:* This subcommittee assisted staff in the development of the *Regional Affordable Housing Strategy*.

Figure 1. RAHS Adoption Process



IV. PUBLIC INVOLVEMENT

H-TAC developed an outreach work plan to include public comment as a key component in the process of developing the RAHS. The Outreach Work Plan included two main components. The first part included a speaker's bureau consisting of H-TAC members. The main focus was to inform and engage citizens

[4] The Metro Policy Advisory Committee (MPAC) advises the Metro Council on regional policies. The Committee membership consists of elected officials from each of the 27 jurisdictions in the Metro region as well as citizens.

and other government officials in discussions of the meaning of affordable housing from need, design and livability perspectives. A recent study on the siting of affordable housing concluded, "there is some confusion among the public regarding the phrase affordable housing."[5] This highlighted a need to involve citizens in a general education effort on people who need affordable housing and the types of housing that are generally viewed as "affordable." H-TAC members used a set of slides titled "*Affordable Housing – A fundamental need*" to educate their constituents about the meaning of affordable housing and who needs affordable housing.

The second part of the public involvement process was to get public reaction and input on the work products of H-TAC. The overall goal was to involve as many citizens and government officials as possible, within budget and time constraints. Three "focus groups" comprised of community leaders, affordable housing advocates, and non-profit and for profit housing providers met in March 2000 to review the cost reduction, land use and regulatory, and regional funding strategies developed by H-TAC subcommittees. Four "community roundtable discussions" were held in April 2000 at locations around the region to gather citizen input on H-TAC work products. One public hearing was held by H-TAC. (Citizen comments may be found in Appendix E).

H-TAC gave periodic updates to MPAC, which consists of elected officials and citizens representing all of the jurisdictions in the Metro Region. H-TAC also gave a presentation to the Metro Committee on Citizen Involvement (MCCI).

V. STRUCTURE OF THIS REPORT

This document is organized into five chapters, and includes six appendices.

Chapter 1: Introduction identifies the vital relationship between affordable housing and the livability of our region. This chapter presents the existing state and regional policy framework for enhancing affordable housing production in this region.

Chapter 2: Affordable Housing Needs analyzes the extent of affordable housing need in our region and communities in the long term.

Chapter 3: Regional Housing Goals describes the policy direction for the affordable housing objectives, principles and strategies contained in the RAHS. Affordable housing production goals, a realistic five-year goal to begin to meet the overall need, are also presented in this chapter.

Chapter 4: Strategies for Increasing and Preserving the Supply of Affordable Housing describes the actions that could be taken by various local governments, Metro and other entities in the region to increase the production of and maintain the existing supply of affordable housing.

Chapter 5: Recommendations for Implementation describes the process through which the Strategy would be implemented; defines a number of specific actions for Metro, including the process for measuring the region's progress; defines actions for local jurisdictions including local comprehensive plan compliance procedures; and details the roles of other entities that must be encouraged and supported in order to attain the affordable housing production goal recommended in this plan.

The **Appendices** include the full text of strategy reports, comments and testimony gathered during the plan development process, affordable housing tools survey of local governments, and other supporting information.

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[5] Oregon Housing and Community Services Department, "Siting Affordable Housing in Oregon Communities", June 1998, completed by the Community Planning Workshop, University of Oregon.

Chapter Two: Affordable Housing Needs

I. INTRODUCTION

Shelter is one of the most basic of human needs, and everyone needs a home. Despite the strength of Oregon's economy as a whole, and that of the Metro region specifically, many families find it difficult to obtain safe, decent, and affordable homes.

A lack of sufficient affordable housing opportunities affects the region in a variety of ways, reducing overall livability and economic viability for all residents.

This chapter includes:
- a definition of affordable housing and brief discussion of who needs affordable housing,
- a brief summary of Metro's *1997 Housing Needs Analysis,*
- information on the need for affordable housing identified by the three counties in the Metro region for their current consolidated planning process, and
- an analysis of the current and projected need for affordable housing based on H-TAC defined goals to provide affordable housing opportunities in all jurisdictions.

Based on the best available data, H-TAC identified a benchmark need for affordable housing in the region to be used in developing goals for the *Regional Affordable Housing Strategy (RAHS).*

II. WHO NEEDS AFFORDABLE HOUSING?

The shortage of affordable housing affects a wide range of residents – particularly for households earning 50% or less of the region's median household income (MHI).[1] The United States Department of Housing and Urban Development (HUD) defines affordable housing as costing a household no more than 30% of its income. For renters, housing costs include rent and utilities. For homeowners, it includes principle, interest, taxes, property insurance, and mortgage insurance, if applicable.

The American Housing Survey for the Portland metropolitan area estimated that 36,800 households (82%) earning less than 30% of MHI paid more than 30% of their income for housing costs in 1995 (the most recent year for which reliable data is available). (The American Housing Survey is conducted for HUD by the Census Bureau every two years, as described in the *Glossary*.) This indicates that a majority of the region's citizens earning lower incomes are paying more for housing than they can afford.

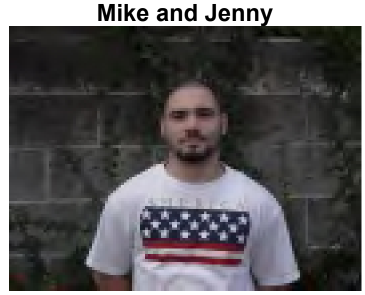
WHO IS TRYING TO FIND AFFORDABLE HOUSING?

The scenarios described here are real-life examples of people in the Metro region who are struggling with housing affordability.

Sonja

Sonja owns a two-bedroom home in Southeast Portland with her newborn baby and 6-year old daughter. She is on maternity leave from a full-time job as a case manager at a nonprofit public defenders office. Sonya earns $2,380 per month (62%MHI for a family of three) at her job and receives $335 in child support for her older daughter. With a house payment of $764, childcare and education expenses at $600, health insurance for her baby at $260 per month, only $221 remains for other expenses including food.

Mike and Jenny



Mike and Jenny are a young married couple with a baby who live and work in the Tigard area. Both work in retail sales. Mike works full time, Jenny just returned to work part time as a cashier for a department store. Together they earn $26,880 annually (56%MHI for a family of three). The family is over income for any public benefits. Only the baby has medical insurance. After fixed monthly costs, including monthly rent of $560, they have only $507 left to buy food and other necessities.

[1] Median Household Income (MHI). Each year HUD establishes the median household income for states and metropolitan areas, adjusted for household size. The formula used to determine median incomes is based on data from the U.S. Census and other relevant information. See Appendix F for more information on methodology.

According to the same survey, 189,000 renter households (81%) and 211,800 homeowners (49%) met the regional definition of moderate or low income.[2] Table 2 shows examples of the income levels and occupations of the low- and moderate-income households.

Table 2. Income levels and Occupations

Percent of Median Household Income (MHI)	Size of Household & Occupations
Less than 30% MHI	• *1 person:* fast food worker, service station attendant • *4 people:* preschool teacher with 3 children
30-50% MHI	• *1 person:* home health aide, hairdresser, receptionist • *4 people:* dental assistant with 3 children; fast food worker and a service station attendant with 2 children
51-80% MHI	• *1 person:* emergency medical technician, computer operator • *4 people:* full time registered nurse or social worker with 3 children; teacher's aide and bank teller with 2 children
81-120% MHI	• *1 person:* computer programmer, corrections officer, carpenter • *4 people:* electrical engineer or health services manager with 3 children; dental assistant and a maintenance worker with 2 children

In today's economy there are many full time jobs that pay less than a "housing wage" ($10-13/hour in this region). The housing wage is the amount a worker would have to earn in order to work 40 hours per week and afford a one or two bedroom apartment (depending on household size) at the fair market rent.[3] These low wage jobs help to create an additional need for affordable housing. Low paid workers with children have a critical need for affordable housing, as they often face the additional burden of paying for childcare. Many young adults enrolled either full or part time in college may also need affordable housing.

Homeownership Affordability Gap

Before 1990, housing in the Portland metropolitan region was relatively affordable. In 1990, average home prices had risen by 33% while median household incomes rose by only 24%. By 1998, the demand for housing was compounded by a two percent annual increase in population. From 1990-1998, the region experienced an annual increase in real housing prices of about 10% per year. Since 1990, the median cost of single-family housing in the region has increased by about 100%, and in this same period, the median

WHO IS TRYING TO FIND AFFORDABLE HOUSING?

Ben

Ben is a 92-year-old widower who receives $665 per month in Social Security benefits (21%MHI). He lives in a subsidized apartment complex designed for older residents. He pays $503 per month in rent and utilities. Ben has publicly funded housekeeping services and personal care. Without this assistance, he would need to move to a care facility and lose his independence.

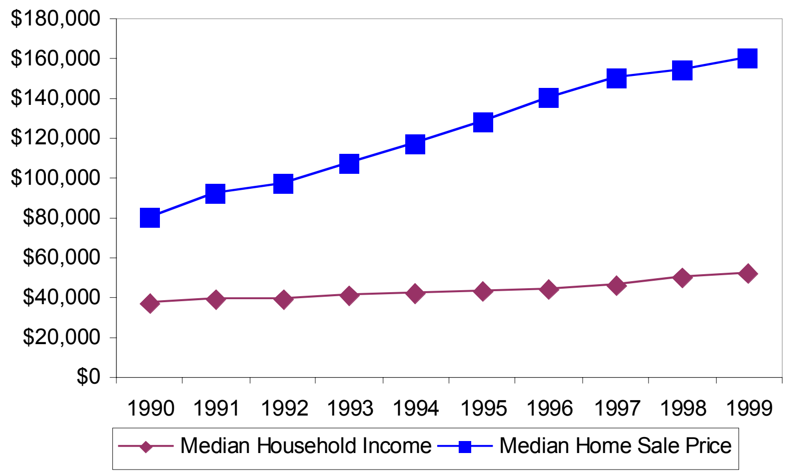
Molly

Molly rents a two-bedroom apartment in Clackamas County with her 16-year-old son. She drives a school bus full time and earns roughly $1,885 per month. Because of the heavy burden of past debt, Molly is only able to make ends meet through the subsidized rent provided by Northwest Housing Alternatives.

[2] H-TAC defined very low, low and moderate income groups include: less than 30%MHI, 30-50%MHI, 50-80%MHI, 80-120%MHI.
[3] *Out of Reach*, National Low Income Housing Coalition, 1999.

household income increased by only 28%. Figure 2 below describes the changes in household incomes vs. housing prices in the Metro region over the last ten years. In short, the figure shows that home sales prices have increased dramatically while incomes have not.

Figure 2. Changes in Housing Prices vs. Household Income in the Portland Metro Region, 1990-1999

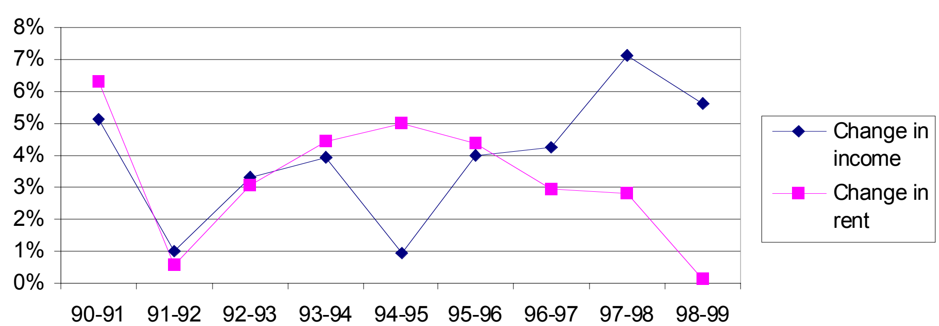


Source: US Department of Housing and Urban Development, Metro, 1999.
Note: Median Household Income is for a family of four.

Rental Affordability Gap

While many households searching for homes to buy are facing affordability problems, even more families searching for homes to rent have difficulty finding safe, decent, affordable housing. Unfortunately, the data available do not tell the complete story for renters. Figure 3 below shows that average rental rates have changed rapidly over the last several years, with a relative drop compared to median household income more recently. Thus, many people might conclude that renters are actually in good shape in our current economy.

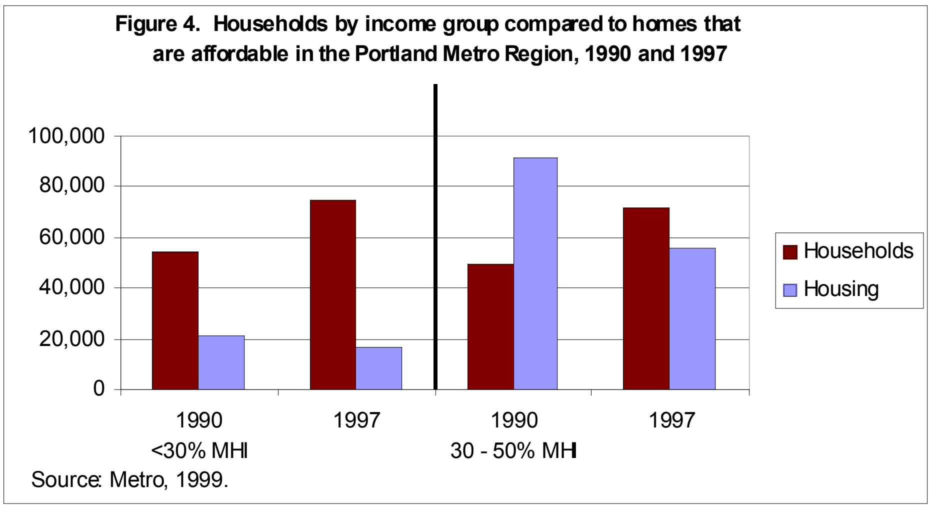
Figure 3. Changes in Household Income and Average Rent in the Portland Metro Region, 1990-1999



Source: McGregor-Milette, U.S. Department of Housing and Urban Development, 1999.

Figure 3 above indicates that increases in rental rates have been dropping in recent years. This can be attributed to many market factors, most tellingly a large increase in the supply of new apartment buildings in the mid-1990's. The "oversupply" caught up with the demand, and the average increase in rental rates began to drop relative to changes in household income.

But what about rental rates for *affordable* housing for households earning 50% or less of MHI? Specific data on the number of rental units and rates are not currently available, but a proxy is shown in Figure 4 below. Figure 4 shows that, while the number of *households* earning less than 50% MHI have increased from 1990 to 1997, the number of *housing units* affordable to these households has actually decreased. In other words, the supply of homes affordable to lower income households has been reduced while the demand has increased.



Regional data also fail to account for neighborhood changes. For example, Washington County rents flattened, but Northeast and Southeast Portland rents have skyrocketed, causing displacement of many residents no longer able to afford to remain in their neighborhoods.

Special Issues for Residents of Manufactured Home Parks

Many low- and moderate-income people choose to purchase manufactured homes to be located in a manufactured home park as an affordable housing option. While all types of households may live in manufactured home parks, two examples of household types include young families eager to purchase their first home and elderly people looking for a way to downsize and reduce housing costs for their retirement years. A manufactured home park is often viewed as an affordable home ownership option since the manufactured home is purchased but often placed in a park on a rented lot. While manufactured homes were originally called "mobile homes" and were intended to move, the cost of moving the homes is generally out of the reach of the owners. Given this situation, manufactured home owners are frequently faced with increasing rents for the land their home sits on, along with the other responsibilities of maintaining the home. This situation provides the owner with the worst of the issues facing a homeowner and a renter – increasing maintenance costs combined with increasing land rents. Many elderly households face the problem of increasing rents and higher maintenance costs on aging homes.

Another issue also faces manufactured home owners, particularly those who have purchased these homes recently. Throughout the booming economy of recent years, the manufactured home industry has grown and has been aggressively marketing the homes. However, as described in the Oregonian, "loans for manufactured homes placed in rental parks are not true mortgages and carry higher interest rates than those for stick-built houses."[4] Many of the loans have adjustable rates, with a "teaser" first year rate that climbs dramatically. High interest rates combined with climbing rental rates often result in abandonments and foreclosures of manufactured homes, leaving households remaining in their homes with even less appreciation than may have occurred in the first place. Many families wishing to get out of their manufactured homes are unable to sell. Implementation of strategies to address these issues would provide a crucial link in the provision of an array of affordable housing options in the region.

III. METRO'S 1997 HOUSING NEEDS ANALYSIS

In 1997 Metro developed a *Housing Needs Analysis* for the region. The *Housing Needs Analysis* examined ways that affordable housing issues could be addressed on a regional level and identified tools jurisdictions could use to achieve their respective housing goals. The primary concerns addressed in the report included the widening gap between household income and cost of housing; an increase in population and homelessness; rising land costs; and the lack of available land. The report also estimated the types and quantities of housing needed in the region over a 20-year period as well as projected land prices.

Determining the amount of affordable housing needed is required by the Oregon Department of Land Conservation and Development's *Housing Goal 10* and other state laws; but as with many parts of the planning process, it is a forecast that is dependent on many assumptions. To determine the need for affordable housing, Metro constructed the Real Estate Location Model (RELM) that uses several variables to estimate the costs of future housing. RELM essentially holds the population forecast constant and compares the expected income level of the future population with the cost of housing. This results in an estimate of needed affordable housing, in other words, housing that the market will most likely not provide at price levels that are affordable to the entire regional population.

The *Housing Needs Analysis* identified a need for affordable housing and provided a starting point for developing policies to address affordable housing at the regional level.

Since the December 1997 *Housing Needs Analysis*, there have been other studies that have shown more current estimates of affordable housing needs. These estimates are in Clackamas County's *2000-2002 Consolidated Plan*, Washington County's *Housing and Homeless Needs Assessment and Housing Market Analysis* from December 1999, and the February 2000 issued joint *Consolidated Plan 2000-2005* of the cities of Portland and Gresham and Multnomah County.

IV. CITY/COUNTY CONSOLIDATED PLANS (2000)

Local jurisdictions receiving funds from HUD are required to develop a Five-Year Consolidated Plan. The goal of the strategies incorporated into the plans is to benefit low- and very low-income people under the following mission statements:

- Provide decent housing;
- Provide a suitable living environment; and
- Expand economic opportunities.

The Consolidated Planning process blends four formula programs administered by HUD: the Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), the Emergency Shelter Grant (ESG), and Housing for Persons with AIDS (HOPWA). Consolidated plans also describe housing and community development needs. One major drawback to these most recent consolidated plans is the difficulty of obtaining current data because Census data used in these plans is 10 years old.

[4] Gordon Oliver. "Dreams tumbling down." The Oregonian, May 9, 2000.

The three Consolidated Plans for the Metro region are the *Clackamas County 2000-2002 Consolidated Plan, Consolidated Plan 2000-2005 Multnomah County,* and *Washington County Housing and Homeless Needs Assessment and Housing Market Analysis Draft.* Each consolidated plan identified the elderly, persons with disabilities, and low- to moderate-income households as having the greatest need for affordable housing.

Elders

The nation's elderly population (60 years old and above) is increasing rapidly. In 1900 the elderly population equaled four percent of the population, grew to 12 percent in 1990, and is projected to increase to 20 percent by 2020. Data maintained by the Metro Data Resource Center shows that the population of persons 65 and older grew by 6.5 percent between 1995 (162,662) and 1999 (173,221).

Most seniors typically live on fixed incomes, including Social Security Benefits (SSB), pensions, and retirement investments. Some seniors depend solely on SSB, and receive approximately $500-800 per month. Seniors may also receive Supplemental Security Income (SSI) if they receive SSB below $520. Meanwhile, the HUD "fair market rent" (HUD's estimate of the current market rent) for a studio is $463 and a one-bedroom apartment is $569[5] in the Portland metro region. According to Multnomah County Aging and Disability Services, nearly half of elderly renters in Oregon spend over 35 percent of their income on rent, often making a choice between food, utility bills, and even medication to afford housing. The need for strategies to address issues seniors face in finding affordable housing will only grow as the population continues to increase over the next several years.

People with Disabilities

The household budgets of many people with disabilities are so low as to make apartment rental extremely difficult. A majority of people with disabilities are at 30 percent or less of the median household income. Many people with disabilities subsist on Supplemental Security Income (SSI) benefits of $500 per month. A study conducted in 1999 found that SSI in the region is only 18.3 percent of the median income[6]. In 1999, rent for an efficiency apartment took 86 percent of SSI and a one bedroom was not obtainable, at 105.9 percent of SSI. This inability to afford rental payments contributes to many people with disabilities living in difficult conditions, such as in a friend or relative's home, or inaccessible apartments (on a second floor with no elevator when the person must use a wheelchair). Accessible and affordable apartments available in the region for this population are not sufficient to meet the need.

People with disabilities generally do not exist in isolation, they have families and may also be children. Families with a disabled member and individuals with disabilities often have difficulty finding affordable housing that is suitably accessible. People with disabilities may have functional limitations, vision impairments, difficulties hearing, problems with mobility, or a combination of disabilities including substance abuse. Many people with disabilities have difficulty going outside alone, and may also be unable to work due to their disabilities. The 1996 American Community Survey Profile for Multnomah County estimates the number of people with disabilities to be 37,912 or six percent of the total county population. According to Clackamas County Community Development, the total number of people with disabilities in Clackamas County is 25,736. Similar data are not available for Washington County.

One subset of people with disabilities includes those with "psychiatric disabilities," or people whose serious mental illness limits their ability to perform some activities of daily living. People with psychiatric disabilities may have special housing issues, including a lack of affordable housing. The prevalence of people with psychiatric disabilities is thought to range from one to three percent of the

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[5] Published in the October 1, 1999 Federal Register.
[6] "Priced Out in 1998 – The Housing Crisis for People with Disabilities." The Technical Assistance Collaborative, Inc. and The Consortium for Citizens with Disabilities Housing Task Force, March 1999.

general adult population. In 1999, the number of people with psychiatric disabilities served with state dollars was 1,742 in Clackamas County, 10,469 in Multnomah County, and 1,688 in Washington County.

Another subset of people with disabilities includes those with "developmental disabilities," or people with mental retardation, autism, cerebral palsy, epilepsy, or other neurologically disabling conditions that have been attained before the age of 22. The total number of people with a developmental disability in Multnomah County is estimated to be 19,250 (three percent of the total population), and in Clackamas County is estimated by Clackamas County Mental Health to be 4,300. Similar data are not yet available from Washington County.

Low- to Moderate-Income Households

In addition to housing for the elderly and people with disabilities, each county identified other specific populations that have a critical need for more affordable housing. These specific populations, shown in Table 3, are part of the low-to moderate-income households that have the greatest need for affordable housing.

Table 3. Housing Needs Identified by local Consolidated Plans

Clackamas County	*Multnomah County*	*Washington County*
Persons with AIDS/HIV	Persons with AIDS/HIV	Farmworker families
Persons with alcohol/drug addictions	Persons with alcohol/drug addictions	Large families
Farmworkers	Renters earning 80% or less of MHI	Recent immigrants
Victims of domestic violence	Victims of domestic violence	Victims of domestic violence
Female headed households	Formerly homeless persons	Single mothers
Pregnant and parenting teens	Ethnic and racial minorities	Ethnic and racial minorities
Large families	Adults in the criminal justice system	
Seasonal workers	Youth ages 16-20 who are or have been in foster care	

V. H-TAC DETERMINED AFFORDABLE HOUSING NEED

As mentioned earlier, a key component of H-TAC's charge was to develop fair share targets for jurisdictions in the Metro region reflecting the current and future affordable housing needs of the region.

> The targets will be consistent with the affordable housing and jobs-housing balance policies established in the Regional Framework Plan. The determination of housing needs and numerical targets will include consideration of existing jurisdictional proportions of affordable and non-affordable housing supply and the roles of existing providers of housing…The "fair share" targets shall be based upon housing inventories and other factual information concerning the regional and subregional demand, supply and cost of housing and buildable lands, and the income levels and housing needs of current and future residents. *(Regional Framework Plan, Section 1.3, p. 4).*

While H-TAC has addressed the items as described in the RFP, some terminology was changed as a result of much discussion. The most important change in terminology was to replace the phrase "fair share targets" with "affordable housing production goals," as described below.

CHANGE OF TERM **Affordable Housing Production Goals (Fair Share Targets)**
H-TAC decided to replace the term "<u>fair share targets</u>" with "<u>affordable housing production goals</u>" because the latter conveys properly the region's cooperative effort towards achieving livable communities within our region.

However, as indicated in Table 1 in Chapter One describing Metro's policies, the concept of a "fair share" housing policy is not new to the region. The Regional Urban Growth Goals and Objectives (RUGGOs), originally adopted in 1991 and amended in 1995, include a set of integrated goals and objectives. Objective 17, Housing, states that "(t)he Metro Council shall adopt a 'fair share' strategy for meeting the housing needs of the urban population in cities and counties based on a subregional analysis…"

H-TAC felt it was crucial to begin with a good picture of the overall regional need for affordable housing prior to developing affordable housing production goals.

Based on this conclusion, the RFP charge to H-TAC, and previous regional policies, H-TAC formed a subcommittee in October 1998 to develop a formula and methodology for determining need and distributing affordable housing. This formula may be called the "affordable housing distribution method" and results in a determination of the region's overall need for affordable housing.

The goal of the affordable housing distribution method is to ***"achieve an equitable distribution of housing opportunity among local jurisdictions in the region by working toward a similar distribution of household incomes within each Metro jurisdiction that reflects the regional income distribution as a whole."***

The affordable housing distribution method assumes that housing units should be provided in such a way that will ensure that lower income households would have the opportunity to live in any jurisdiction in the region in proportion to the regional average of households in that income group. The method is a supply-oriented assessment of the regional Benchmark Need for affordable housing. The purpose of the Benchmark Need is to show the regional need for affordable housing to 2017.

After much research and discussion, the following approach results in a Benchmark Need of 90,479 units for households 50%MHI and below, as described in Figure 5 and shown in Table 4 on the following pages.

Figure 5. Description of Process for Determining the Benchmark Need for Affordable Housing
[((Number of Households in Jurisdiction in 2017)(Percent of Regional Households in Each Income Group))-(Credit for Assisted Units in Jurisdiction) - (Number of Market Rate Affordable Units in Jurisdiction))] = Benchmark Need for each Jurisdiction*

STEP 1		STEP 2		STEP 3		STEP 4		STEP 5
Number of Households in Each Jurisdiction in 2017	X	Regional Distribution of Households in Defined Income Groups	--	Credits for Existing Supply in each Jurisdiction	=	Regional *Benchmark Need*	➡	Adjust *Benchmark Need* to develop realistic *Affordable Housing Production Goals*
Explanation: (Existing Households in 1994) plus (household capacity for each jurisdiction in 2017 from the Urban Growth Management Functional Plan, minus the vacancy rate) = Total household capacity for each jurisdiction in 2017 ***Source:*** • 1994 households - The DRC Group, • 2017 household capacity - Metro; Urban Growth Management Functional Plan, Table 1, pg. 41.		***Explanation:*** The percent of households in the region at the following income levels: 0-30% MHI 31-50% MHI 51-80% MHI 81-120% MHI ***Source:*** American Housing Survey, 1995.		***Explanation:*** Jurisdictions will receive a credit for the existing supply of affordable housing, which includes assisted housing, market rate affordable housing, and vouchers. ***Source:*** • Assisted Units: *Work Group on Assisted Housing*, Metro, 1998. • Market rate units: Marathon Management, 1999.		***Explanation:*** The Benchmark Need is the number of households in the below 30% (66,245) and 30-50% (24,234) median household income groups. H-TAC agreed the majority of subsidy should be focused on the highest need, but strategies to address the needs of the 50-80% and 81-120% income groups should be developed.		***Explanation:*** 9,048 assisted housing units, based on 10% of the benchmark need.

In developing the approach described above, H-TAC worked from existing data sources and took into account previously adopted policies to keep the affordable housing production goals consistent with other regional goals and policies. The goals and the Benchmark Need are consistent with the projected density for the region to 2017, as well as being consistent with what is known as "Table 1 of the Functional Plan." Table 1 in the Urban Growth Management Functional Plan describes the number of dwelling units that local governments have agreed to provide to meet the projected growth for the region.

The RFP policy directed H-TAC to consider the jobs/housing balance in the determination of affordable housing production goals. H-TAC conducted an extensive analysis to determine the impact that the affordable housing production goals might have on the jobs/housing balance in the region. The results of the analysis indicated that achievement of the Affordable Housing Production Goals would be consistent with the region's jobs-housing balance policies because the affordable housing distribution method provides the opportunity for households of all income groups to live in any jurisdiction.

Table 4. Benchmark Affordable Housing Need to 2017
(Total Affordable Housing Need - Not Targets or Goals)

Jurisdiction	2017 Households[1]	Number of Households in each Income Group in 2017 based on Regional Percentages in 1995[2]				Estimated Housing Units in 1998 Affordable to Defined Income Groups[3]				Total Need for Affordable Housing Units by Jurisdiction by Income Group to Year 2017**			
		<30%	30 - 50%	51 - 80%	81 - 120%	<30%	30 - 50%	51 - 80%	81 - 120%	<30%	30 - 50%	51 - 80%	81-120%
Beaverton	38,704	4,451	4,296	7,780	7,160	175	2,005	8,557	8,105	(4,276)	(2,291)	777	944
Cornelius	3,601	414	400	724	666	16	300	1,244	1,234	(398)	(100)	520	568
Durham	533	61	59	107	99	6	23	85	326	(55)	(36)	(22)	228
Fairview	4,145	477	460	833	767	51	151	1,135	481	(425)	(309)	302	(286)
Forest Grove	8,227	946	913	1,654	1,522	398	817	2,104	2,076	(548)	(96)	451	554
Gladstone	4,582	527	509	921	848	91	413	1,883	1,462	(436)	(96)	962	614
Gresham	45,297	5,209	5,028	9,105	8,380	654	4,004	16,925	5,853	(4,555)	(1,024)	7,821	(2,527)
Happy Valley	2,583	297	287	519	478	3	8	56	510	(294)	(279)	(463)	32
Hillsboro	27,911	3,210	3,098	5,610	5,164	180	981	6,865	8,022	(3,030)	(2,117)	1,255	2,859
Johnson City	754	87	84	152	139	141	243	25	133	55	159	(126)	(7)
King City	417	48	46	84	77	2	42	660	608	(46)	(4)	576	531
Lake Oswego	16,452	1,892	1,826	3,307	3,044	42	284	2,823	3,683	(1,850)	(1,542)	(484)	639
Maywood Park	122	14	14	25	23	5	25	217	54	(9)	11	192	31
Milwaukie	11,709	1,347	1,300	2,354	2,166	304	1,323	3,471	3,062	(1,043)	23	1,118	896
Oregon City	12,896	1,483	1,431	2,592	2,386	253	1,076	4,137	3,166	(1,230)	(355)	1,545	780
Portland	280,528	32,261	31,139	56,386	51,898	12,396	33,055	89,310	50,141	(19,864)	1,916	32,923	(1,756)
Rivergrove	123	14	14	25	23	0	1	23	43	(14)	(13)	(2)	20
Sherwood	6,395	735	710	1,285	1,183	66	148	891	1,248	(670)	(561)	(394)	65
Tigard	19,179	2,206	2,129	3,855	3,548	37	1,092	3,604	5,038	(2,169)	(1,037)	(251)	1,490
Troutdale	7,096	816	788	1,426	1,313	65	229	2,257	1,564	(751)	(559)	831	251
Tualatin	10,552	1,213	1,171	2,121	1,952	6	475	1,948	3,511	(1,208)	(696)	(173)	1,559
West Linn	8,897	1,023	988	1,788	1,646	36	274	1,069	1,638	(987)	(713)	(719)	(8)
Wilsonville	8,842	1,017	981	1,777	1,636	17	184	1,714	1,138	(1,000)	(797)	(63)	(497)
Wood Village	1,548	178	172	311	286	14	160	551	282	(164)	(11)	240	(5)
Clackamas County Uninc.	77,498	8,912	8,602	15,577	14,337	1,603	4,858	19,355	23,713	(7,309)	(3,744)	3,778	9,375
Multnomah County Uninc.	7,621	876	846	1,532	1,410	62	312	1,632	1,820	(814)	(534)	100	410
Washington County Uninc.	116,696	13,420	12,953	23,456	21,589	266	3,526	15,960	24,242	(13,154)	(9,427)	(7,496)	2,653
Totals	722,909	83,135	80,243	145,305	133,738	16,889	56,009	188,503	153,153	(66,245)*	(24,234)*	43,198	19,414

** Parentheses indicate a need for housing units.
[1]Based on Metro's Urban Growth Management Functional Plan.
[2]American Housing Survey, 1995. <30%MHI = 11.5%; 30-50%MHI = 11.1%; 51-80% = 20.1%; 81-120%MHI = 18.5%; 120%MHI+ = 38.8%.
[3]U.S. Census, 1990; Marathon Management, 1998; Metro, 1999. Assisted rental housing is included but not separately displayed on this table.
*H-TAC determined that the households with the greatest need for affordable housing were those in the 0-30% and 30-50%MHI (66,245 + 24,234 = 90,479)

The method for determining the Benchmark Need is based on the following assumptions:

- *2017 Time Horizon.* The Benchmark Need indicate the number of units of housing needed for new and existing households in the H-TAC defined income groups between now and 2017.
- *Supply-side orientation.* This approach is supply oriented – it focuses on the number of households in an income group and the commensurate number of housing units. It does not account for the availability of a specific unit.
- *Redistributive assumption.* Housing units should be provided in such a way that will ensure that lower income households would have the opportunity to live in any jurisdiction in the region in proportion to the regional average of households in that income group.
- *Formula should be evaluated when 2000 Census data become available.* The formula currently redistributes households based on the percent of households in the region in H-TAC defined income groups for 1995, when the most recent data is available. All of the data, as well as the goals, should be updated when regionally consistent good information is available after the 2000 Census.

Some general but important caveats regarding the Benchmark Need are as follows:

- There is a margin of error in the methodology when it is applied to the smaller cities, such as Johnson City or Maywood Park.
- The Benchmark Need may understate the actual total affordable housing need because the method assumes that households will purchase or rent housing commensurate with their income level. Units that appear to be affordable may not necessarily be available to low-income households as households at higher income levels may occupy them.
- Tenure (whether a resident owns or rents their home) is an important issue that is not considered in the formula, but can be addressed through strategies and other tools. Tenure can also be included when the 2000 Census data is available. An example of how tenure may impact the benchmark numbers is that owner-occupied housing stock might show up in the data as being expensive when in reality the owner is paying little since the house was purchased many years ago.

Based on the Benchmark Need and other analyses of affordable housing need conducted in this region, H-TAC developed affordable housing production goals as described in the following chapter.

Chapter Three: Regional Housing Goals

I. REGIONAL AFFORDABLE HOUSING IMPLEMENTATION PRINCIPLES

H-TAC identified the following four principles to guide in the development of tools and strategies to meet the need for additional affordable housing in the Metro region.

1. Maintain the existing supply of affordable housing in the region.
2. Increase the supply of affordable housing in the region.
3. Provide sufficient affordable housing opportunities to households of all income levels that have a member living or working in each jurisdiction or subregion.
4. Enhance the success of the affordable housing production goals.

Successful application of these principles will require the efforts of all citizens, neighborhoods, local, state, and regional agencies, nonprofit and for-profit housing developers, and the financial and business communities. The effectiveness of the tools and strategies to encourage the production and retention of affordable housing will be measured against the above principles.

II. AFFORDABLE HOUSING IMPLEMENTATION OBJECTIVES

The Metro Council gave H-TAC the charge of developing affordable housing production goals for all jurisdictions in the region. The objective of the affordable housing distribution method is:

To achieve an equitable distribution of housing opportunity among local jurisdictions in the region by working toward a similar distribution of household incomes within each Metro jurisdiction that reflects the regional income distribution as a whole.

Five objectives define "equitable distribution":

1. A diverse range of housing types is available within the region and within cities and counties inside the urban growth boundary.
2. Sufficient and affordable housing opportunities are available to households of all income levels that live or have a member working in each jurisdiction and subregion.
3. An appropriate balance of jobs and housing exists within subregions.
4. The current and future need for and supply of affordable housing in the region is addressed in the distribution.
5. Concentrations of poverty are minimized.

H-TAC determined that the focus of affordable housing production goals should be on households with the greatest need – households earning 50% or less of the regional median household income (a family of four in 1999 at 50% MHI earns $26,200). As described in Chapter Two, affordable housing goals are based on the region's current and future affordable housing need. Housing units are allocated to jurisdictions on the basis of established criteria. A mathematical allocation formula was used to determine each jurisdiction's need for additional affordable housing units.

III. AFFORDABLE HOUSING PRODUCTION GOAL (5-YEAR GOAL)

Affordable housing production goals were developed by first estimating the total need (or "benchmark") for affordable housing, as described in Chapter 2: Affordable Housing Needs. H-TAC estimates that if all households with incomes 50%MHI and less paid no more than 30% of income for housing through 2017 there will be a need for 90,479 affordable units in the region. Currently, the annual average production rate for assisted rental units is approximately 1,146 units for households earning 80%MHI and less. At this rate, it would take many years to meet the region's affordable housing need, and it costs even more to provide units for households at the lower end of the income scale. Due to the exceptional cost of meeting the total housing need, H-TAC developed a more realistic five-year affordable housing production goal, based on 10% of the total need for households earning 50%MHI and less. The five-year production goal is 9,048 units, or 1,810 units annually for households earning 50%MHI and less.

The region-wide production goals are then apportioned to each city and county in the region based on trying to achieve a mix of household incomes in each community that is similar to the current mix of household incomes region-wide. Table 5 below shows the five-year affordable housing production goal distributed to the local governments in the region. The local affordable housing production goals could be addressed by individual cities or counties or by consortiums such as those formed to develop Consolidated Plans for federal resources.

Table 5. Five-Year Affordable Housing Production Goal Allocated by Jurisdiction

Jurisdiction	**Benchmark Need – 90,479[1] (2017)**		**Percent of Benchmark Need by Income Group**		**Five Year Affordable Housing Production Goal – 9,048[2]**		
	Benchmark need	*Percent of benchmark need*	*less than 30%*	*30-50%*	*less than 30%*	*30-50%*	*Totals**
Beaverton	6,567	7.24%	65%	35%	**427**	**229**	**655**
Cornelius	497	0.55%	80%	20%	**40**	**10**	**50**
Durham	92	0.10%	61%	39%	**6**	**4**	**9**
Fairview	734	0.81%	58%	42%	**42**	**31**	**73**
Forest Grove	645	0.71%	85%	15%	**55**	**10**	**64**
Gladstone	532	0.59%	82%	18%	**43**	**10**	**53**
Gresham	5,580	6.15%	82%	18%	**454**	**102**	**557**
Happy Valley	573	0.63%	51%	49%	**29**	**28**	**57**
Hillsboro	5,148	5.68%	59%	41%	**302**	**211**	**514**
Johnson City	0	0.00%	0%	0%	**0**	**0**	**0**
King City	51	0.06%	91%	9%	**5**	**0**	**5**
Lake Oswego	3,392	3.74%	55%	45%	**185**	**154**	**338**
Maywood Park	0	0.00%	100%	0%	**0**	**0**	**0**
Milwaukie	1,019	1.12%	100%	0%	**102**	**0**	**102**
Oregon City	1,585	1.75%	78%	22%	**123**	**35**	**158**
Portland	17,948	19.79%	100%	0%	**1,791**	**0**	**1,791**
Rivergrove	27	0.03%	52%	48%	**1**	**1**	**3**
Sherwood	1,231	1.36%	54%	46%	**67**	**56**	**123**
Tigard	3,205	3.53%	68%	32%	**216**	**103**	**320**
Troutdale	1,310	1.44%	57%	43%	**75**	**56**	**131**
Tualatin	1,904	2.10%	63%	37%	**120**	**69**	**190**
West Linn	1,700	1.87%	58%	42%	**98**	**71**	**170**
Wilsonville	1,797	1.98%	56%	44%	**100**	**80**	**179**
Wood Village	175	0.19%	93%	7%	**16**	**1**	**17**
Clackamas County Uninc.	11,053	12.19%	66%	34%	**729**	**374**	**1,103**
Multnomah County Uninc.	1,349	1.49%	60%	40%	**81**	**53**	**135**
Washington County Uninc.	22,582	24.90%	58%	42%	**1,312**	**940**	**2,253**
Totals	**90,695[3]**	**100.00%**	**72%**	**28%**	**6,420**	**2,628**	**9,048**

[1]The Benchmark Need (90,479 units) includes a need at 30%MHI that is cancelled out by a lack of need (or surplus) in Maywood Park at 30-50%MHI; while in Johnson City there is a lack of need in both of the lower income categories. It is important to note the fact that Johnson City consists of a mobile home park on one tax lot, which impacts the data.
[2]Calculated by multiplying the "percent of benchmark need" by the Five-Year Affordable Housing Production Goal of 9,048 units. The result is multiplied by the "percent of benchmark need by income group" to get the goal by income group for each jurisdiction. *This goal should be recalculated when data from the 2000 US Census becomes available.*
[3]The total shown here (66,000 for less than 30% and 26,343 for 30-50%) is based on excluding the projected "surplus" of affordable housing at less than 30%MHI for Johnson City, and 30-50%MHI in Johnson City, Maywood Park, Milwaukie, and Portland.
***Totals may not add up to due rounding.**

A basic assumption of the affordable housing production goal and the distribution method is that the goal and allocation numbers will be evaluated when the results of the Year 2000 U.S. Census are available. H-TAC recommends that the Benchmark Need and the Affordable Housing Production Goal be reassessed when the results of the 2000 Census are available. This includes:

- checking the estimates to see how accurate they are;
- comparing actual unit affordability to the incomes of households living in the units;
- recalibrating the Benchmark Need and the Affordable Housing Production Goal;
- fine tuning the estimation process for future calculations; and
- comparing income to housing tenure to identify barriers to homeownership.

IV. ESTIMATED COST OF MEETING THE AFFORDABLE HOUSING PRODUCTION GOAL

Many H-TAC members identified a need to describe the potential cost of meeting the need for affordable housing in the region. While it is possible to produce a basic estimate of the total cost, it is virtually impossible to actually cost out the production of such a wide variety of units, especially when the cost of producing, acquiring, or rehabilitating units can vary so much throughout the region and will change over time. However, basic information on the general cost of producing housing in the region are provided for illustrative purposes and the amount of current resources available are provided below to help determine how large the need for additional resources may be.

Cost of Producing Housing

Creating housing units to meet the Affordable Housing Production Goals will be costly. Determining how much it could cost to meet the regional needs depends on several factors. Tables 6 and 7, below, show the actual price associated with the creation of housing units. Information below includes typical cost of new construction from a study conducted by the Housing Development Center in Multnomah County and the cost of acquisition and rehabilitation in Washington County provided by Washington County Housing Services.

Table 6. Typical Development Cost of New Construction- 1997

	Single Family Dwelling	Multi-Family Dwelling
Per Unit Cost	$85,706 - $124,167	$68,662- $88,274
Per SF Cost	$69 - $95	$95 - $98

Source: *Affordable Housing Cost Study*, Housing Development Center, 1998.
*Housing could be produced by community development corporations, housing authorities or for-profit corporations.
Note: Land costs are included in the development cost.

Production costs can also vary according to the type of developer. The main reasons for this as identified in the *Affordable Housing Cost Study* are as follows:

- ***Single Family Dwelling Units.*** Nonprofit organizations were able to develop single family units for less than for-profit developers. Nonprofits frequently built units on tax-foreclosed lots, thus keeping costs down.
- ***Multi-Family Dwelling Units.*** For-profit developers were able to develop multi-family units for much less per unit than nonprofits, although the square foot cost is almost equal. Most of the for-profit units were less dense, while nonprofits developed buildings four to five stories tall and included more bedrooms per unit.

Table 7. Costs of Rehabilitation/Acquisition & New Construction – Washington County (1996 – 1999)

Acquisition/Rehabilitation		New Construction	
Number of Units	**Total Development Cost per Assisted Rental Unit**	**Number of Units**	**Total Development Cost per Assisted Rental Unit**
6	$33,333	40	$51,250
59	$57,941	78	$59,308
5	$43,733	33	$73,935
5	$39,735	20	$63,833
15	$49,333	49	$75,874
84	$68,065	120	$63,425
Average Cost per Unit = $48,690		**Average Cost per Unit = $64,604**	

Source: Washington County Housing Services, 1999.
Note: Land costs are included in the total development cost.

Table 7 highlights the differences in the cost of producing housing through acquisition and rehabilitation or new construction. In light of this information, several factors arise for consideration in decisions to produce new housing units or to acquire and rehabilitate existing housing:

- Is there a difference in the effectiveness of producing more affordable housing if an existing unit is acquired and rehabilitated for affordable housing than if a new affordable unit is constructed?
- There may be other benefits to new construction aside from creating an affordable unit, such as revitalizing a neighborhood, directing development to beneficial areas, and possibly mitigating overall housing prices.
- There are also benefits accrued by rehabilitating units such as acquiring more affordable units for less cost, reducing the impact of gentrification, preserving neighborhoods, and preventing the loss of existing housing stock.

Current Resources Available

Historically the federal government has taken the lead in providing funds for the provision of affordable housing. H-TAC identified a need to catalogue the existing resources currently available in the region that could be used for housing production (more information on existing resources may be found in Appendix C). Table 8 identifies the total dollar amount of resources coming into the region from the federal and state governments. Many assumptions were made in determining how many dollars might be available to produce housing for households earning 50%MHI and less; these assumptions are described in the notes under the tables below. A change in any of the assumptions could have an impact on the amount of resources that could be used to meet affordable housing production goals.

Table 8. Federal and State Programs and Estimated Resources Available for Housing in the Metro Region - 1998

Program Name	Source of Funds	Form of Assistance	Project Selection/ Administering Agency		Total Amount of Funds	Estimated Funds Available for Housing Production at <50%MHI
			State	*Local*		
CDBG [1.]	Federal	Flexible*		x	$18,371,000	$3,674,200
HOME [2.]	Federal	Flexible*		x	$5,786,000	$5,207,400
LIHTC (9%) [3]	Federal	Tax Credit	x		$17,219,850	$12,914,888
LIHTC (4%) [4]	Federal	Tax Credit	x		$15,944,288	$3,188,858
Multifamily Revenue Bonds [5]	Federal	Tax Deduction	x		$903,423	$903,423
HOPWA	Federal	Flexible*	x		$803,000	$200,750
HELP	State	Cash Grant	x		$100,000	$100,000
Oregon Housing Trust Fund [6]	State	Cash Grant	x		$746,912	$746,912
OAHTC[7]	State	Tax Credit	x		$141,156	$141,156
				Total	**$59,212,629**	**$27,077,586**
				Federal Funds	***$58,224,561***	***$26,089,518 (97%)***
				State Funds	***$988,068***	***$988,068 (3%)***

Source: US Department of Housing and Urban Development, Oregon Housing and Community Services Department, Metro, 1999.
* Could be cash grant, low-interest loan, contingent obligation, funding of reserves, or other form of assistance.

***Notes*:**

1. **Community Development Block Grants (CDBG)**. Varying amounts of CDBG funds allocated to local jurisdictions are targeted towards housing. Because of these other uses, 20% of all CDBG funds are estimated to be available for affordable housing production.
2. **HOME Investment Partnership Program (HOME).** Up to 10% of HOME funds may be used for administrative purposes. Thus, the estimate is that 90% of all HOME funds are available for affordable housing production.
3. **Low Income Housing Tax Credit (LIHTC) – 9%.** Total amount of 9% tax credits in 1998 was $1,721,985. 9% tax credits are generally used for housing that serves people at 50% MHI and less. Tax credits are allocated for a ten-year period. The amount of equity raised from the tax credits was calculated as follows: total amount of tax credits times 10 times $0.75.
4. **Low Income Housing Tax Credit (LIHTC) – 4%.** Total amount of 4% tax credits in 1998 was $2,125,905. 4% tax credits are generally used for housing that serves people at 60% MHI; H-TAC determined that a reasonable estimate of the amount that could be used for serving people at 50%MHI and below is 20% of the total, or **$3,188,858**. Tax credits are allocated for a ten-year period. The amount of equity raised from the tax credits was calculated as follows: total amount of tax credits times 10 times $0.75.
5. **Multi-Family Bond Funds.** The value of the subsidized loan is based on the net present value of a reduction in interest on State bond financing of 1% amortized over 30 years. The reduction in bond interest rates is often more than 1% as compared to a private bank's mortgage rate. Assumptions used in calculating the savings are a private bank interest rate of 8%, bond interest rate of 7%, and a 30-year time period. The amount of Multi-family Bond Funds used in the Metro area in 1998 was $9,682,615.
6. **Oregon Housing Trust Fund (HTF).** Estimate is that 100% of Oregon Housing Trust Fund is available for affordable housing production goals.
7. **Oregon Affordable Housing Tax Credit (OAHTC).** The total amount of Oregon Affordable Housing Tax Credits in 1998 was $4,588,998, which is the dollar amount of loans that banks are given tax credits on. To calculate the value of the subsidy, an 8% market rate interest rate was reduced to the 4% interest rate given on loans under the OAHTC. In 1998 230 units were financed using OAHTC, which amounts to a rent reduction of approximately $51 per month for each tenant.

Some federal resources, such as Community Development Block Grants (CDBG) and HOME dollars are allocated based on a formula to jurisdictions of a certain size. CDBG funds are allocated to jurisdictions to be used for a wide variety of purposes including housing rehabilitation, home ownership assistance, economic development, social services and physical improvements such as streets, sewers and parks. The funds must be used to benefit low- and moderate-income persons (below 80%MHI) or geographic areas (as identified by census data or neighborhood surveys), or eliminate slums and blight or meet an urgent need. The HOME program was created to expand the supply of housing affordable to low-income households. These funds can only be used for eligible activities that include new construction, rehabilitation, home ownership assistance, and assistance to community housing development organizations. Funds must benefit households at or below 80%MHI and rental housing assistance must primarily benefit households at or below 60%MHI.

Other funds are allocated competitively to local governments and nonprofit organizations. Some programs require local governments to provide a match to receive some federal funds, and they also may fund programs through local funds. Tenant based support is channeled to low-income households through local housing authorities. On the other hand, state resources are mostly targeted to for-profit and nonprofit housing developers.

Table 9, below, provides an example of how much housing could hypothetically be provided with the resources that are currently available to help meet the Five-Year Affordable Housing Production Goals for households at 50%MHI and less.

Table 9. Example of Amount of Resources Needed to Construct New Units at H-TAC Defined Income Levels
The examples in this table are hypothetical to illustrate the trade-offs that must be made in affordable housing even if a large amount of funding were available to the region.

Income Level *Regional MHI: $52,400 for a family of four (1999)*	**Affordable Monthly Housing Payment by Income Level***	**Amount of Resources Needed**					
		Single Family Homeownership Unit Cost: $125,000			**Multi-Family Rental Unit** Cost: $80,000		
		Dollars	**Percent**	***Number of units that could be built with $100,000,000****	**Dollars**	**Percent**	***Number of units that could be built with $100,000,000****
Below 30%MHI	Below $393	$125,000	100%	800	$80,000	100%	1,250
30% MHI	$393	$125,000	100%	800	$70,000	88%	1,429
50% MHI	$655	$86,000	69%	1,163	$33,000	41%	3,030
80% MHI	$1,048	$15,000	12%	6,666	*No Subsidy*	0%	NA
100% MHI	$1,310	*No Subsidy*	0%	NA	*No Subsidy*	0%	NA
120% MHI	$1,572	*No Subsidy*	0%	NA	*No Subsidy*	0%	NA

Source: OHCSD, Metro, 1999.
Note: Land cost is included.
*Affordable monthly housing payment is 30% of household income; including utilities and all applicable taxes.
Assumptions:

Single Family Unit:
1. Property taxes = $156/month
2. Insurance = $40/month
3. Utilities = $100/month
4. 30 yr. Mortgage at 7.5%

Multi-Family Unit:
1. Property taxes = $100/month
2. Maintenance & operation = $170/month
3. Utilities = $40/month for 2 bedrooms, $50/month for 3 bedrooms
4. 30 yr. Mortgage at 7.5%

Note: Utility assumptions for multi-family units are based on utility allowances provided by the Housing Authority of Portland. In many multi-family assisted housing units the landlord pays water and sewer, while the tenant is responsible for electricity. Telephone expenses are not included.

Local Jurisdiction Resources

In addition to resources from the federal and state governments, some local jurisdictions allocate local dollars to be used for affordable housing. For instance, the City of Portland dedicates approximately $2.3 million in General Funds to the Bureau of Housing and Community Development for specific community services such as homeless shelter support. In addition to these resources the City has allocated approximately $30 million of General Fund over two years to the Housing Investment Fund (HIF). It is expected that the city will allocate a lesser amount to the HIF during the upcoming budget cycle with a longer term goal of finding a dedicated funding source for the HIF. Within several urban renewal districts the City of Portland also targets tax increment financing (TIF) to specified housing activities within districts with adopted housing policies and programs. The annual amount of TIF varies greatly but plays a significant role in renewal districts with major housing rehabilitation and production needs. These examples illustrate potential resources available for affordable housing at the local level.

Additional Resources Necessary to Meet the Goal

Based on the data provided in the table above, the total federal and state resources available annually that could reasonably be expected to be available to produce housing for households earning 50%MHI and less is **$27,077,586.** Table 10 below describes the cost of meeting the Five-Year Affordable Housing Production Goal, and compares that with the total resources currently available to determine that an additional annual subsidy of **$97,133,358** is necessary to begin to meet the housing needs of residents of the region.

Table 10. Estimate of the Cost of Meeting Affordable Housing Production Goals

Affordable Housing Production Goals			Total Cost[1]	Total Resources Currently Available Annually[2]	Remaining Annual Resources Needed
	5-Year Goal	Annual Goal			
10% Benchmark Need	9,048	1,810	$124,210,944	$27,077,586	$97,133,358

[1]Assuming a 50/50 split between new construction and acquisition/rehabilitation, with average cost of new construction $105,000 per unit and average cost of acquisition/rehab $60,000 per unit. A 100% subsidy is needed for households <30% MHI, and a 40% subsidy is needed for households at 50% MHI. The percentage of units allocated to <30% MHI and to 31-50% MHI is based on the affordable housing distribution formula: <30%MHI = 72% and 31-50%MHI = 28%.
[2]Assuming all available resources from State and Federal governments that could be dedicated to housing are used for that purpose, and that resource funding levels remain constant.

Chapter Four: Strategies for Increasing and Preserving the Supply of Affordable Housing

I. INTRODUCTION

As stated in the previous chapter, there is an overwhelming need for more affordable housing in the Metro region. According to a National Home Builders study, the Portland metro area was the eighth least affordable housing market in the nation as of the first quarter of 1999. The median household income for a four-person household in the region has increased by 41% in the last 10 years. However, during the same period, the median sale price of homes increased by approximately 100%, while the average rent has increased by over 34%. While these statistics may seem to indicate that renters are better off, the supply of housing for households at lower income levels has actually decreased, while the number of households in those income groups has increased. According to the 1995 American Housing Survey, approximately 30% of residents in the region are paying over 30% of their incomes on housing (30% is the national standard for housing affordability). About 82% of households earning less than 30%MHI and 65% of households earning 30-50%MHI are paying more than 30% of their income on housing. This data indicates that households with the highest need for affordable housing are not able to locate decent, affordable housing and thus pay much more than they can afford.

The housing situation in the region leads to other problems. Workers often have to commute long distances to work in areas where they cannot afford to live. Many low-income residents must forego other basic needs like health care and childcare due to the large percentage of their income that must be devoted to rent. The lack of affordable housing is also a cause of homelessness. When housing costs continually outpace incomes, people will have to work harder just to make sure they do not lose ground – which can make it difficult to realize dreams like a college education for a child, or homeownership.

In the development of affordable housing production goals, H-TAC determined a need for 90,479 additional affordable units for households earning less than 50%MHI in the region over the next 20 years. In an effort to develop a reasonable but ambitious goal for housing production in the region, H-TAC developed a five year affordable housing production goal of 10% of the total benchmark need, or 9,048 homes. Even a more realistic production goal will not be feasible without additional resources, the removal of barriers to affordable housing construction, strategies to reduce the cost of production, and key land use regulations.

H-TAC members spent many hours identifying and evaluating the strategies described on the following pages. The strategies are organized by the following categories: Land Use Strategies; Non-Land Use Strategies; and Regional Funding Strategies. In the process of developing the RAHS, H-TAC formed three subcommittees[1] to address these topics, including for-profit and nonprofit developers, local government planners, local elected officials, housing advocates, representatives from the housing authorities in the region, and other interested parties. H-TAC held focus group meetings bringing in outside expertise to evaluate their work and to identify any potential pitfalls.

After much analysis and evaluation, H-TAC determined that the majority of their efforts should be focused on addressing tools and strategies aimed at increasing the supply of housing for people with the highest need – households earning 50% or less of the region's median household income. However, many of the land use and cost reduction strategies identified by H-TAC can be used to increase the supply of affordable housing at the other H-TAC identified income groups: 50-80%MHI and 80-120%MHI.

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[1] Land Use and Regulatory Subcommittee; Cost Reduction Subcommittee; and Regional Funding Subcommittee.

Local jurisdictions can use these tools in a way to best address the specific needs of their residents, such as housing for first time homebuyers or affordable rental housing.

Evaluating, adopting, and implementing strategies, tools, and funding programs to encourage the development of affordable housing takes time and a certain amount of staff expertise at the local level. This section of the RAHS is intended to serve as a "cookbook" of tools and strategies that can facilitate the development of affordable units. Local governments must determine which of these tools and strategies make sense in their communities, as a "one size fits all" approach will not work to address the affordable housing needs of the diverse cities and counties in the Metro region.

Table 11 below includes the strategies that are provided in the RAHS for local government consideration. Each strategy includes an overall description, examples of the strategy in use on the ground, other considerations or potential limitations, and recommendations for implementation at the regional and local levels. Complete versions of the reports on each strategy may be found in Appendix C.

Table 11. Strategies Addressed by H-TAC

Cost Reduction	Land Use & Regulatory	Regional Funding
• System Development Charges • Permit Fees • Property Tax Exemption • Local Government and State Coordination • Land cost and availability, including donation of tax foreclosed properties and land banking or land assembly, and construction type (size, design) • Off-site Improvements • Local Regulatory Constraints and Discrepancies in Planning and Zoning Codes, and Local Permitting or Approval Process • Building Codes Requirements • Parking	• Long-term or Permanent Affordability • Density Bonus • Replacement Housing • Inclusionary Zoning (voluntary & mandatory) and urban growth boundary considerations • Transfer of Development Rights • Elderly and Disabled Housing • Regional Housing Resource/ Database	• Maximize Existing Resources – Training Program – Consistent Consolidated Plans in the Region – Allocation of HOME Funds – Promote changes in HUD and other Federal Programs – Enterprise Foundation Regional Acquisition Fund • New funding Source – Employer Sponsored Housing – Real Estate Transfer Tax – Uses and Administration of a New Regional Housing Fund.

Through the public involvement process, H-TAC identified other strategies that are crucial to the successful development of affordable housing that is well integrated into surrounding neighborhoods. Neighbors of proposed affordable housing developments are often concerned that the new housing will "…negatively impact their neighborhood with increased criminal activity, increased loitering, increased traffic, stress on schools and city services, changes in neighborhood character, and decreased property values."[2] Some strategies that are currently used to address these fears include neighborhood involvement in the design of the housing, providing good management, keeping grounds and structures well maintained, and signing good neighbor agreements. These are very important strategies that are used by housing providers. There are many good examples of affordable housing; in fact many residents do not realize that "affordable" housing exists in their neighborhoods because it has been designed and managed so well.

The strategies described here should be considered in a fashion similar to a "cookbook." Local jurisdictions may choose from the array of tools to develop a menu that makes the most sense to meet the affordable housing needs of local residents.

[2] *Siting Affordable Housing in Oregon Communities*, CPW, June 1998, pg. 6.

II. LAND USE STRATEGIES

Introduction

The Land Use Strategies described on the following pages include a number of tools that could be used by jurisdictions to increase the supply of affordable housing. Some of the strategies were identified in Metro's Regional Framework Plan as important tools for H-TAC to consider. Other tools were identified by H-TAC members as having the potential to be successful in this region.

Many jurisdictions in the Metro region are already utilizing some of the tools identified by H-TAC. To better evaluate potential tools and strategies, H-TAC wanted to consider and recognize existing local efforts to encourage affordable housing. Metro sent a survey to all local jurisdictions in the region to gather information on tools and strategies currently in use. The survey was sent out in September 1999 and responses were accepted until February 2000. Eighteen jurisdictions responded, a 67% response rate. Table 12 below shows the types of tools currently in use by jurisdictions in the Metro region.

Table 12. Affordable Housing Tools Now In Use by One or More Jurisdictions in the Metro Region

Tools	Number of Jurisdictions
Land Use Tools	
Accessory Dwelling Unit	14
Density Transfer	4
Density Bonus for Affordable Housing	3
No Net Loss Provisions for Housing	3
Increased Density in Transit Corridors	2
Replacement Housing Ordinance	2
Conversion of Rental to Owner Occupied Unit	2
Requirements for the Relocation of Mobile Home Parks	2
Linkage Programs	1
Incentive Based Inclusionary Zoning	1
Cost Reduction Tools	
Programs for Seniors and Disabled	7
Land Banking	3
Long-term or Permanent Affordability Requirements	3
Property Tax Abatement for Housing	3
System Development Charges Abatements for Affordable Housing	3
Tax Foreclosed Properties Donated for Affordable Housing	3
Building and Land Use Fee Waivers	2
Funding Tools	
CDBG Funds Dedicated to Housing	7
General Funds Dedicated Specifically to Housing	3
Other Financial Incentives	3

Source: *Affordable Housing Tools Survey*, Metro, 2000.

As shown by the survey results, local jurisdictions use a variety of tools and strategies to encourage affordable housing production right now. However, H-TAC's analysis of the need still shows a tremendous gap between the housing stock available and the households searching for affordable housing. Thus, local jurisdictions and Metro must work to implement additional tools to enable the production of the housing necessary to meet the needs of residents of the region. A stable, affordable housing stock benefits the community and region in a number of ways, including contributing to a continued strong economy. The strategies and tools described in this section are land use and regulatory tools to be used to encourage affordable housing production. Some of the tools may work better in larger cities, while others could be successfully implemented anyplace. Whenever possible, a local example of a jurisdiction utilizing a strategy has been included to provide further clarification on how a strategy could be implemented. For more detailed information on the strategies, see Appendix C.

Density Bonus *Land Use Tool*

Description

A density bonus is a land use incentive that allows a developer to construct more units than would otherwise be allowed in a specified residential zone in exchange for the provision of affordable housing units. The assumption is that with additional units the developer is able to achieve a higher profit level on the housing development. When density is increased, the marginal costs per unit are generally lower, since the land prices, soft costs, and foundation costs can be amortized over more units.

A density bonus could be used as an incentive for increasing the production of affordable housing units. Various restrictions may apply, such as the income level at which the units must be affordable, the time period when the "bonus" units must be developed, and design standards requiring affordable units to appear similar to the market-rate units.

Regional Issues Related to Density

Many affordable housing tools considered innovative in other states (outside of Oregon) are tools that may be taken for granted in Oregon. For instance, including a housing element in a comprehensive plan has been identified as an important step in providing more opportunities to create affordable housing. Comprehensive plans, including a housing element, have been required in all Oregon cities and counties since the early 1970's.

Density is a tool that is used as an incentive to produce affordable housing in many jurisdictions outside Oregon. In many cases, base zoning does not allow for many multi-family or small lot single family units. Allowing increased density in such cases provides a developer with needed incentives to produce more units. In other cases, such as high demand for multi-family housing and economies of scale, density bonuses can provide an incentive to develop housing that otherwise is not feasible.

In the Portland metro area, efforts to meet the region's housing needs within the existing urban growth boundary have led to denser development standards than many other places. The state's Metropolitan Housing Rule requires all jurisdictions in the Metro region to provide an opportunity for 50% of new housing to be multi-family. Metro's Functional Plan mandates minimum and maximum density standards, whereas outside of the region many jurisdictions only identify a maximum density standard. These efforts have led to zoning in the region that does not provide much opportunity for a density bonus to serve as an incentive to development. In general, base zoning already allows for as much density as the market (developers, buyers, and renters) will bear, with the exception of certain locations in the Metro region.

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Clackamas County, OR. Clackamas County has had provisions in the zoning code since 1980 that allow an increase in density if affordable housing is provided. The percentage increase in density varies with the Comprehensive Plan category as follows:

- for low-density (single-family) zones, incentive increase is up to 5%;
- for medium or high-density (multi-family) zones, incentive increase is up to 8%.

The increase is allowed at a rate of one additional unit per assisted housing unit provided, up to the maximum allowable density increase. *(Clackamas County Zoning and Development Ordinance, 1012-6)*

Portland, OR. The City of Portland has provided density bonus incentives for elderly and disabled housing since 1993. The regulations allow for increased density in specific multi-family residential zones, and only apply to new developments and projects that involve major remodeling. *(Title 33, Planning and Zoning, Chapter 33.229)*

The units are restricted by a covenant with the city, which lasts for the life of the project.
A number of subsidized HUD 202 projects have utilized the density bonus allowed here, which has increased the supply of elderly and disabled housing in Portland.

Other Considerations

- In most cases, there is enough density provided by the base zone. In suburban areas like Clackamas County, developers have historically underbuilt, although the trend has recently changed as smaller lots become more acceptable and land prices have risen. A density bonus in this case is not much of an incentive, if developers believe demand for density higher than currently allowed does not exist.
- A density bonus may not be effective in encouraging the development of more affordable housing in the region except in specific circumstances. Using a density bonus to target specific populations, similar to Portland's ordinance, may be more effective.

Recommendation for Implementation

Since a density bonus is tied to land use, Metro has the authority to implement regionwide density bonus incentives for affordable housing. However, a mandatory density bonus for affordable housing is not likely to be effective in this region. Thus, H-TAC recommends that density bonus provisions be determined at the local level. A voluntary guideline or model ordinance for providing density bonus incentives may be considered by local governments to facilitate progress towards affordable housing production goals.

Regional	***Local***
A. Model Ordinance Develop a voluntary guideline for a density bonus, including a model ordinance, for varying percentages tied to certain income groups and permanent affordability. For example: • 20 percent of the units affordable to households at 31% - 50% MHI; or • 10 percent of the units affordable to households at less than 30% MHI; or • senior or disabled housing; • permanently affordable housing. A density bonus may not be effective in the region due to high densities already required in local comprehensive plans. However, if local jurisdictions are not already maximizing available land capacity, they would be encouraged to provide a density bonus if a developer agreed to provide a certain percentage of affordable units targeted to income groups outlined in affordable housing production goals. Local jurisdictions could implement the density bonus in a way that best fit local conditions. *B. First Time Homebuyer* Recommend that a density bonus proposal, whether local or regional, include some type of density bonus to developers that provide opportunities for households earning less than 120% MHI to purchase homes. *C. Best Practices* A compilation of "best practices" in implementing density bonus incentives should be compiled to enable jurisdictions to determine what models would work best locally.	Encourage local jurisdictions to implement a density bonus incentive to facilitate the development of affordable housing. Local jurisdictions could consider tying the amount of bonus provided to the targeted income group to encourage the development of affordable units to meet affordable housing production goals.

Description

The purpose of replacement housing strategies is to prevent the involuntary displacement of low-income (less than 50%MHI) residents from existing affordable housing which is lost from the inventory due to demolition, conversion to market rate units, or price inflation. A replacement strategy is often part of a three pronged approach to deal with displacement that includes preservation and mitigation strategies. Preservation strategies, which can include long term affordability commitments, and mitigation strategies, which include tenant based relocation assistance, are discussed elsewhere. The focus here is on low-income housing replacement strategies.

Briefly defined, replacement strategies require restoration of lost housing units by, typically, an equal number of similarly sized, priced, and located units by an agency or individual deemed responsible for loss of the original units. Such strategies can be broadly applicable or more narrowly associated with a particular funding source, geographic area, or a particular housing type.

In the purest example, a jurisdiction could require that all housing affordable to a defined income group must be replaced in kind by an entity engaged in public or private development that results in the loss of this protected housing. Such a strategy could mandate that the replacement housing match the lost units by location, size, cost, etc. Such a strategy could also require that the replacement housing be reserved for those households displaced from the original units.

Other Considerations

The major limitations on replacement housing strategies in their purest form, as described above, are political controversy and legal uncertainty. As a recent example of political backlash, the fairly limited replacement components of Portland's Housing Preservation Ordinance ignited sufficient controversy to result in the passage of a State legislative prohibition on the assignment of per unit replacement fees for expiring Section 8 projects whose owners did not wish to sell to the city.

Regarding legal issues, contradictory court decisions have resulted from challenges to replacement ordinances enacted in various cities. The challenges cite the unfair assignment of responsibility for a community wide problem to individual owners of low-income housing; that such strategies constitute a tax on the owners beyond the legal authority of a local government; and a general accusation of an unconstitutional taking by the government. It is not known how a replacement

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By funding source

Federal Funding. Federal law requires that low-income housing demolished by CDBG or HOME funded activities be replaced by housing units with the same number of bedrooms, in the same or proximate neighborhood, and affordable to a households of comparable incomes. This law pertains was established to prevent widespread demolition within low-income neighborhoods by publicly funded activities, often as part of urban renewal programs, without development of replacement units.

Local Funding/Incentives. The City of Seattle requires any new construction project applying for property tax exemptions that is built on a site that contained 4+ occupied dwelling units to replace any units that were rented to tenants receiving a tenant relocation assistance payment *(Seattle Municipal Code 5.72.040)*. The new units must be affordable at or below 50%MHI for the first ten years.

By location

Minnesota. There is a state requirement that cities of a certain size (over 100,000 people) that adopt neighborhood revitalization programs must replace demolished housing in redevelopment areas with comparable housing units.

By housing type

San Francisco, CA. The Hotel Conversion Ordinance (HCO) has been in place since 1979, and has persevered through several legal challenges including a case as recently as 1997. The HCO prevents the conversion of existing residential hotel units to tourist hotel units without one-to-one replacement of the units. Units are replaced either by adding replacement units to San Francisco's residential housing stock, or by paying an amount equal to costs of rebuilding an equal number of comparable units.

housing strategy would fare in Oregon courts.

In a discussion of recommended replacement housing strategies before HTAC, members expressed concern that such a strategy not result in a "changing of the rules" for property owners by imposing regulations that limit or negate the uses of the property allowed under current zoning. H-TAC's recommendations address these concerns.

Section 8 Vouchers are vouchers provided by HUD through the Housing Authorities that allow qualified households to rent market-rate homes wherever they can find a landlord that will accept the voucher. While these vouchers play an important role in providing people in need with affordable housing, they are not a long-term solution as the vouchers may not be available on a permanent basis. H-TAC members expressed concern that Section 8 Vouchers not be viewed as an adequate replacement housing strategy since these depend on individual household qualification rather than ensuring a new unit of housing be added to the region's affordable housing stock.

Recommendations for Implementation

Metro does not have the authority to require local jurisdictions or other government entities to adopt a replacement housing ordinance. However, a regional recommendation that affordable units that are lost be replaced could be included in the Functional Plan for voluntary adoption by local governments.

A No-Net-Loss housing policy approach for local jurisdiction review of comprehensive plan changes focused on affordable housing would be based on land use and would therefore fall under Metro's land use authority. Possible strategies are described below.

Regional	***Local***
1. Regional Recommendation to Adopt Replacement Housing Strategies Include replacement housing strategies as part of a menu of voluntary affordability tools in the Regional Affordable Housing Strategy plan. Jurisdiction's replacement strategies that are closely associated with a specific funding source may have the most chance of success. *2. No Net Loss Housing Policy* Encourage the use of a No-Net-Loss Housing Policy for local jurisdictional review of requested quasi-judicial Comprehensive Plan Map amendments with approval criteria that would require the replacement of existing low-income housing that would be lost through the Plan Map amendment. H-TAC is sensitive to the concern that this strategy not result in a "changing of the rules" for property owners by imposing regulations that unreasonably limit or negate the uses of the property allowed under current zoning. This recommendation pertains to zone changes requested by the property owner that would result in a loss of existing affordable housing. Adopting the replacement housing criteria as part of the review process for considering a quasi-judicial zone change or Plan Map amendment would not be a change in the rules when the change in zoning is sought by the property owner.	*1. Replace Housing Lost in Urban Renewal Areas* Local jurisdictions could consider developing policies to prevent the loss of affordable housing through demolition in urban renewal areas by implementing a replacement housing ordinance specific to urban renewal zones.

Description

Inclusionary housing is the term most frequently used to describe a wide variety of techniques that link construction of low- and moderate-income housing to the construction of market rate housing. Typically, the lower-income units are included in an otherwise market-driven development. The principal objective of inclusionary housing is to increase the supply of affordable housing while also fostering greater economic integration.

Inclusionary housing can be defined as a city or countywide mandatory requirement or voluntary objective that assigns a percentage of housing units in new residential developments with a specified minimum number of units, to be sold or rented to lower- or moderate-income households at an affordable rate (usually below the market rent).

Most inclusionary housing programs, whether voluntary or mandatory, rely on a combination of incentives to ensure that affordable units are constructed. Some incentives frequently used in conjunction with inclusionary housing programs include density bonuses, financial subsidies, development fee waivers, option to produce inclusionary units off site, relaxed development standards, reduced impact fees, and donations of land or fees in lieu of providing affordable units.

The Oregon State Legislature passed and the Governor signed House Bill (HB) 2658 in the 1999 legislative session. This bill has the effect of prohibiting mandatory inclusionary housing programs in Oregon. However, voluntary inclusionary housing programs are permitted.

Other Considerations

- Inclusionary programs may reduce potential opposition from neighbors expressing NIMBY (not-in-my-back-yard) concerns. Under an inclusionary housing program, lower income units are often constructed and occupied concurrently, which reduces opposition to the affordable units.
- Developers tend to oppose inclusionary housing programs for several reasons. First, many see it as a governmental interference in their business of providing housing. Secondly, developers argue the losses they incur by providing below market rate housing are passed on to purchasers or renters of market rate housing in the form of higher prices, decreasing housing affordability for middle income people.

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Regional Inclusionary Housing Programs

State of California. California State law requires local jurisdictions to prepare housing elements that provide a plan to accommodate the existing and projected housing needs for residents at all income levels. In response to this requirement, many jurisdictions have developed inclusionary housing programs.

Voluntary Inclusionary Housing Programs

City of Camarillo, CA. The City of Camarillo adopted a voluntary inclusionary housing program to further enable the city to meet the housing needs of its residents. To qualify for a density bonus and other incentives, a developer must provide:

- at least 20% of total units for lower income households; or
- at least 10% of total units for very low income households; or
- at least 50% of total units for seniors.

Mandatory Inclusionary Housing

City of Bellevue, WA. Bellevue enacted a mandatory inclusionary housing program under the mandate of the State Environmental Policy Act and Washington State's Growth Management Act that required cities to consider the housing needs of all economic segments of the community. The inclusionary housing requirements apply to all new residential development, all subdivisions, and all rezone applications.

Montgomery County, MD. In 1974 the County Council adopted the Moderately Priced Housing (MPH) Law. The legislation addressed inclusionary zoning and density allowances. Builders of residential housing must make some housing units available at below-market rate sales prices or rental rates. This program is believed to be the first mandatory inclusionary zoning law that specified a density bonus allowance to builders for providing affordable housing.

- *Linkages:* The prohibition of direct mandatory inclusionary housing by HB 2658 increases the need to develop a regional funding source and regulatory incentives to achieve the region's affordable housing production goals.
- One of the important values of inclusionary housing programs is the ability to decrease concentrations of poverty and increase the mix of incomes in new developments.

Recommendation for Implementation

Since inclusionary housing programs could be tied to land use, Metro has the authority to implement a regionwide voluntary inclusionary housing program for affordable housing. However, due to differences in housing needs and development standards across the region, the incentives needed to create a successful program are not likely to be the same in all jurisdictions. Thus, H-TAC recommends that voluntary inclusionary housing programs, especially the type of incentives that are offered, be determined by local jurisdictions. A regional voluntary guideline or model ordinance and performance standards for a voluntary inclusionary housing program should be developed to facilitate progress towards meeting the region's affordable housing goals.

Regional	***Local***
1. *Voluntary Inclusionary Housing Guideline and Model Ordinance* Develop a regional voluntary inclusionary housing guideline, including a model ordinance, for varying percentages tied to certain income groups and permanent affordability. Developers of new construction in housing projects over a certain size may be provided with incentives if they agree to provide a certain percentage of: • units affordable to households at 31%-50% MHI; ***OR*** • units affordable to households at less than 30% MHI; ***OR*** • senior or disabled housing. However, local jurisdictions could implement a voluntary inclusionary housing program in a way that best fits local conditions. 2. *Tie Inclusionary Housing Requirements to a Regional Fund* If a regional funding source is established, some of the funds could be used as a tool to encourage mixed income projects and to encourage more market-rate developers to participate in the production of affordable housing. 3. *Consider Inclusionary Housing when Amending the Urban Growth Boundary* Decisions on the designation of certain urban reserve areas and urban growth boundary (UGB) expansions currently allow for consideration of special land needs such as for affordable housing. However, no enforcement mechanisms are in place. One possible strategy could be if a developer applies for inclusion in the UGB based on a special need for affordable housing, the decision should be conditioned on inclusionary housing requirements. 4. *Best Practices* Develop a compilation of "best practices" for implementing voluntary inclusionary housing programs to enable jurisdictions to determine what models would work best locally.	1. *Voluntary Inclusionary Housing Program Tied to Incentives* Encourage local jurisdictions to implement a voluntary inclusionary housing program to facilitate the development of affordable housing, using the regional voluntary inclusionary housing guideline and model ordinance. Local jurisdictions could consider tying a variety of incentives to the targeted income group to encourage the development of affordable units to meet affordable housing production goals. 2. *Zoning requirements that lead to affordable housing* Encourage local government housing requirements such as minimum densities, maximum square footage limits, single-car garage requirements, percentage of accessory dwelling units, percentage of attached or multi-family development, which tend to result in affordable housing. 3. *Tie Inclusionary Housing Requirements to Zone Changes* Encourage local governments to consider the impacts on affordable housing as a criterion for any legislative or quasi-judicial zone change, which could potentially be expanded to include approval of conditional use permits for a non-residential use in a residential zone. 4. *Tie Inclusionary Housing Requirements to Urban Renewal Zones* Encourage local governments, when creating urban renewal districts that include housing, to tie inclusionary zoning requirements to redevelopment agreements for public investment, use of condemnation power, and/or financial support.

Description

The simplest definition of a transfer of development right (TDR) regulation is a zoning strategy designed to direct development from one site to another to preserve a publicly valued resource. Examples of such a resource include agricultural land; natural environments such as coastal mountain ranges, forests, wetlands; historic structures; cultural institutions; or affordable housing. The premise is that excess development rights that would otherwise encourage the destruction or redevelopment of the resource at the "sending" site constitute a marketable commodity that can be sold to a "receiving" site that places a value on additional development density. Within this regulatory framework the public benefits derived by the preservation of the resource work in concert with private goals of greater return on investment generated by increased development opportunity at the receiving site.

The bundle of development rights is usually expressed as the additional air rights granted under existing zoning to a structure or site that does not currently take advantage of these rights. These potential development rights such as additional height, floor area or housing units may pose a threat to the current land use that the local government may wish to preserve. By allowing the marketability of these excess rights, it is hoped that the transferable value of this development potential may be an incentive to preserve the current land use.

TDRs are distinguished from floating development rights such as those associated with planned unit developments (PUDs) in which development permitted under the base zone can be clustered or dispersed on contiguous and commonly owned sites to preserve open space, protect environmental resources, carry out transit orientation policies or take advantage of physical infrastructure efficiencies. TDRs, on the other hand, typically involve separate sites under separate ownership.

Other Considerations

- A major advantage of a TDR strategy is, assuming the local government does not institute a TDR pool, that owners of sending and receiving sites decide between themselves the value of the transferred development rights. The local government's role is limited to reviewing the terms of the covenants to ensure that basic regulations are recorded with the deeds of both properties. On the other hand, the local government needs adequate legal resources to ensure that the covenant is clear and enforceable.
- The alternative approach, such as that used in Seattle, is to require the office developer to make a cash payment to

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Seattle, WA. The City of Seattle effectively requires all new office development built within the downtown core at a floor area ratio (FAR) between 15:1 and 20:1 to obtain development rights from a housing TDR pool. The housing TDR pool is collected from sending sites of existing and rehabilitated low- and moderate-income rental housing. The sending site must retain the housing at a specified affordability level for twenty years. The sending sites can be located in most areas of downtown, but the receiving sites are limited to the office core and the mixed/commercial sector near the Denny Regrade.

City of Portland. Since the adoption of the 1988 Central City Plan, Portland has employed a TDR designed to preserve existing single room occupancy (SROs) hotels by allowing the sale and transfer of excess FAR to a receiving site within the Central City. Since the adoption of this strategy there has been one successful use of this tool. The former Athens Hotel at NW Everett and Sixth Avenues was purchased by a local nonprofit development corporation for rehabilitation into housing and treatment services for very low-income individuals. The excess development opportunity on the site of the Athens amounted to 50,000 square feet of floor area. This floor area was sold to the adjoining owners of the rest of the block. The rehabilitated SRO, now called the Sally McCraken Building, is required by a covenant signed by both parties to remain as very low-income housing indefinitely.

nonprofit housing developers in which case the value of the transferred rights is established by the local governing body.

- The use of TDRs may work best with a variety of other strategies that serve the purposes of preserving or increasing the supply of affordable housing. H-TAC also observed that TDR strategies work best in a contained area planned with this strategy in mind rather than applying it throughout a jurisdiction. The reason for this is that the transferred development rights must be utilized in a fashion that does not negatively impact the receiving site.
- The local government must plan the overall base level of permitted development to ensure that development made possible at the receiving site does not exceed the intensity envisioned for that site resulting in structures that violate other goals to preserve views, light, or promote other aspects of design compatibility.
- This strategy may be less effective under a regulatory scheme with already generous base height and floor area zoning. TDRs adopted in central business districts are often preceded by a downzoning of development potential.

Recommendations for Implementation

Regional	***Local***
1. Include on List of Recommended Tools Metro should include TDRs as part of the list of recommended practices to help carry out regional affordable housing production goals. There are a variety of TDR approaches that can be tailored to the conditions of a particular jurisdiction. In a brainstorming session, H-TAC members suggested using TDRs in low density neighborhoods where residents wish to preserve the character of the neighborhood by selling off potential development rights to a nearby development proposal. Some H-TAC members felt that such a strategy may conflict with policy goals for socially and economically integrated communities or minimum density requirements. H-TAC members concluded that such approaches should be examined and, if found to be legally or administratively sound, promoted as models for local jurisdictions. *2. Housing TDRs Coordinated with Regional Goals* The use of TDRs should also be considered in conjunction with open space and environmental preservation strategies to further overall development capacity goals. *3. Best Practices* A compilation of "best practices" in implementing TDR programs should be compiled to enable jurisdictions to determine what models would work best locally.	Encourage local jurisdictions to implement TDR programs to facilitate the development of affordable housing when planning for Main Streets or Town Centers involving upzonings. Local jurisdictions could take into account the utility of TDRs in the ultimate zoning pattern of these districts.

Description

The local development permit approval process is meant to ensure that new development meets established standards that enhance community characteristics and property values. The process is driven by a number of ordinances, standards and regulations that are geared towards: a) acceptable structural design and characteristics; and b) environmental enhancement and protection. The structural-oriented regulations include new building construction to rehabilitation codes, adequate water and sewage disposal standards, and handicapped provisions, among others. The environmental-oriented regulations include zoning codes for minimum lot sizes, density and open spaces, subdivision standards, and planning codes for tree preservation, parking, growth controls.

Those regulatory constraints related to the permit approval process and the environmental issues are described further below. The regulatory constraints related to the structural issues have been addressed in other strategy reports.

Permitting Approval Process

According to a report by the President Bush Advisory Commission on Regulatory Barriers to Affordable Housing[3] in most jurisdictions across the country the permit approval process is not a logical point-to-point process. The process leads to delays that force builders and developers to pay extra interest on borrowed money and therefore increases the overall cost of housing. Some studies found that the point-rating system approval process in Orange County, California typically added $20,000 to the cost of a single family home, and in New Jersey, permitting time increased from few months to three years in some jurisdiction. According to Debra Bassert of the National Association of Home Builders, some studies in the 1980s found that every month of delay in the approval process added one to two percent to the final price of a home.

Discrepancies in Planning and Zoning Codes

Discrepancies between local comprehensive plans, zoning codes, and Metro's Urban Growth Management Functional Plan can impact the cost of producing affordable housing in a variety of ways. While a city's comprehensive plan may have been adopted several years ago, the zoning code may be constantly evolving. Ordinances may be adopted over time to address specific issues that arise through the development process, such as a tree cutting ordinance to preserve valuable

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Portland, OR. The City of Portland permitting process was viewed by some citizens and the press as an anachronistic and inefficient process that was in need of modernization. The modernization process was initiated through a Stakeholders Team recommendation (Blueprint 2000) submitted to the City Council in April 1998. The City Council's goal was to "create a system that presents a predictable, seamless delivery of City development review functions and provides a clear point of accountability for the performance of review responsibilities."

The recommended improvements in the City's development review system and process were organized as follows:

- Core business process that establishes the primary entry point or location for information and application intake for projects, provides a process "roadmap" for project approvals and requirements, including inspection and enforcement process and methods for resolving conflicts early;
- People interactions-oriented system that reinforces a culture of customer service and identifies coordinated review teams including primary point of contact, technical review teams and project approval teams;
- Integrated computer system accessible to all stakeholders that provides real time and accurate information;
- Co-locate all staff with primary responsibilities for development review activities;
- The effectiveness and impact of proposed regulations and existing regulations should be analyzed, reviewed and modified if necessary with public input.

[3] *Not in My Back Yard" Removing Barriers to Affordable Housing* , HUD, 1991.

urban forests. The incremental adoption of a variety of ordinances, some of which may have conflicting goals, can have a significant impact on the cost and feasibility of developing affordable housing.

While a city's zoning code may contain a variety of items focused on meeting the community's goals, sometimes the code can conflict with itself. A city may have adopted a setback requirement that conflicts with the level of density the jurisdiction wants to obtain using minimum lot sizes, or the local density goals may conflict with those outlined by Metro. For example, a city may have adopted minimum lot sizes that do not allow for the construction of a single-family house due to setback requirements (the distance a structure is set back from a street, another structure, or the rear end of the lot).

These discrepancies can impact the cost of development by reducing the number of units that can feasibly be built on a parcel. This also may impact the ability of builders to provide small houses under the current regulatory system in some communities. Due to setback distances and minimum lot size requirements, small houses may not be economically feasible, as well as possibly precluding "new urban" developments of small bungalow type houses with front porches close to the street.

The need for strategies to address the above issues will grow as more development is expected to occur in this region to accommodate the projected increase in population and employment.

Recommendations for Implementation

Regional	***Local***
1. Regional Guidelines for the Permitting Process Develop regional guidelines for the permitting process, with the goal of creating a regionally consistent permitting process to enable developers to more easily produce housing in all parts of the region. *2. Metro as a Technical Resource* Metro may serve as a technical resource for local jurisdictions, including the development of a regional model for objective design review criteria.	*1. Revise permitting approval process* Encourage local governments to revise their permitting approval process as follows: • Provide a single contact person to shepherd each project through the process • One stop permitting • Cross training of staff • Interdepartmental review committees • Clearly stated time frames for reviews, approval and extensions • Computerized tracking system • Concurrent rather than sequential reviews • Coordinated public hearing • Concurrent (or combined) hearing by different sections or departments *2. Review existing codes* Encourage local governments to regularly review existing codes to: • determine their usefulness and impact on new housing developments, and • identify conflicts between local code and state or regional goals as well as internal conflicts (e.g., between setback and minimum lot size requirements). *3. Reduce number of land use appeal opportunities* Encourage local governments to work towards reducing the number of land use appeal opportunities for each development.

Housing for Elderly & People with Disabilities *Land Use Tool*

Description

Elderly

The nation's elderly population, or seniors, (age 60 years and above) is increasing rapidly. Most seniors typically live on a fixed income, including Social Security Benefits (SSB), pensions, and retirement investments. According to Multnomah County Aging and Disability Services, nearly half of elderly renters in Oregon spend over 35% of income on rent, often making a choice between food, utility bills, and even medication to afford housing.

People with Disabilities

The household budgets of many people with disabilities are so low as to make apartment rental extremely difficult. A majority of people with disabilities are at 30 percent or less of the median household income. Accessible and affordable apartments available in the region for this population are not sufficient to meet the need. Additional information may be found in Chapter Two, Section IV and Appendix C.

Recommendation for Implementation

While some strategies for seniors and people with disabilities could be tied to land use, these strategies would be difficult to implement regionwide. Strategies to address the needs of these specific groups may be best implemented at the local level. Regional guidelines could be developed to further enable local jurisdictions to make progress towards meeting regional affordable housing production goals.

EXAMPLES

Shared Attendant Model

This model is utilized by the Multnomah County Aging and Disability Services Department (in conjunction with the Housing Authority of Portland) to address the needs of clients who need services to stay independent in their housing. Many seniors and people with disabilities need assistance with taking complex medications, bathing, or getting to medical appointments. Without the services of an attendant, they would need to be in a care facility. However, finding competent attendants is very difficult, as they earn minimal wages, receive no benefits, and the job is physically and emotionally demanding.

The objective of this model is to stabilize the Client Employed Provider (CEP) – an attendant to assist in the activities described above – and increase the job retention time of the CEP by providing stable housing. The CEP receives an apartment (with utilities paid) in exchange for caring for 4-6 residents, in addition to a salary.

Regional	***Local***
1. If a regional fund is created, consider the needs of vulnerable populations, including seniors, people with disabilities, and other populations when allocating funds. Affordable housing goals focus on housing needs for households earning less than 50 percent of the regional median income; many of these vulnerable populations fall into this income level.	1. Encourage local governments to tie the use of funds for these types of housing to locational decisions, such as: a) focusing development of housing for low and moderate income seniors and people with disabilities in transit-friendly areas to encourage continued independence and mobility; and b) encouraging the development of integrated communities, while discouraging enclaves of housing for elderly or people with disabilities in isolation from the surrounding community. 2. Encourage local governments & nonprofits to utilize the community land trust model as a tool to stop rent increases for seniors in mobile home courts. 3. Encourage local governments to use other planning tools and strategies (such as density bonus, transfer of development rights, etc.) to increase affordable housing opportunities for seniors and people with disabilities. 4. Encourage local governments to examine their zoning codes for conflicts in meeting locational needs of seniors and people with disabilities (i.e., allowing mixed-use developments in commercial and residential areas).

Parking *Land Use Tool*

Description

Parking can be a very large component of the cost of developing housing. Parking spaces are expensive to build, especially where land values are high. The cost of providing structured parking in high density areas such as downtown can add $20,000 to $30,000 or more to the cost of a housing unit. Conversely, minimum parking requirements in suburban areas can increase the cost of individual units be decreasing the amount of land available for housing. Parking in suburban areas is typically surface parking, which is relatively cost-effective but not efficient in the use of land. Environmental impacts of increased impervious surface are also important.

While it is important to minimize the impact of providing housing with fewer parking spaces on existing neighborhoods, there are types of housing that justify lower parking requirements. Assisted housing for seniors, many of whom do not drive, may require a minimum number of spaces for residents and guests. Housing for people with certain disabilities may require less parking. Additionally, housing located in transit efficient neighborhoods that do not require use of a car for everyday activities also justifies lower minimum parking requirements.

Parking is an important cost consideration in the provision of affordable housing. The requirements for parking are not found at the local level, but are placed on developments by lenders. Many lenders will not fund a project that they believe may not be successful due to insufficient parking. However, much work has already been done in the region to address the costs associated with the provision of parking.

Metro's Functional Plan Parking Requirements

The State's Transportation Planning Rule calls for reductions in vehicle miles traveled per capita and restrictions on the construction of new parking spaces as a means of responding to the transportation and land use impacts of growth. The Metro 2040 Growth Concept calls for more compact development as a means to encourage more efficient use of land, promote non-auto trips and protect air quality. Additionally, the federally mandated air quality plan adopted by the state relies on the 2040 Growth Concept to fully achieve its transportation objectives. The air quality plan relies on reducing vehicle trips per capita and related parking spaces through minimum and maximum parking ratios. Title 2 of Metro's Urban Growth Management Functional Plan addresses these state and federal requirements.

Title 2 of the Functional Plan requires local jurisdictions to amend their comprehensive plans and implementing regulations to meet or exceed specific minimum standards. Cities and counties are allowed to vary from these standards if they provide findings to show substantial compliance.

Recommendation for Implementation

Regional	*Local*
1. Encourage lenders to consider unique parking needs Encourage lenders to consider parking needs for proposed housing on a project by project basis, accounting for the special needs of residents, when evaluating funding applications.	*1. Review parking requirements* Encourage local governments to review parking requirements to ensure they meet the needs of residents of all types of housing. *2. Coordinate strategies* Encourage local governments to coordinate strategies with developers, transportation planners and other regional efforts to reduce costs of providing parking for affordable housing. *3. Evaluate off street parking requirements* Encourage local governments to evaluate off street parking requirements for infill housing developments, ensuring that their requirements are not greater than what currently exists.

III. NON-LAND USE STRATEGIES

Introduction

The Non-Land Use Strategies described on the following pages include a number of tools that could be used by jurisdictions in the Metro region to increase the supply of affordable housing. The basic goal of these strategies is to reduce the cost of producing housing, thereby making it more affordable.

Most of the non-land use strategies would help to reduce the cost of all housing, not just "affordable" housing. However, the many of the strategies identified on the following pages can be targeted to help developers produce housing affordable to households at specific income levels, such as households in H-TAC's determined highest need group, those earning less than 50%MHI. For example, some strategies can help reduce costs by speeding up the development process and allowing projects to move through the permit approval process more quickly, thereby reducing costs. This type of strategy benefits all development in a community. In order to target the highest need population, a project aiming to serve that group could be "fast-tracked" through the development process. This example shows how a strategy can be tailored to meet the needs of specific communities.

A big problem in producing affordable housing is coordinating the various funding sources in terms of application deadlines, requirements and project monitoring. Costs of producing, managing, and maintaining affordable housing could be reduced by consolidating many of these requirements wherever feasible.

Whenever possible, a local example of a jurisdiction utilizing a strategy has been included to provide further clarification on how a strategy could be implemented. For further information on the strategies, see Appendix C

Long-Term or Permanent Affordability *Non-Land Use Tool*

Description

Long-term or permanent affordability requirements on affordable housing protect the investment made by the public and retain affordable units for many years of use. When governments invest public funds to create affordable housing options the goal should be to ensure that these units remain affordable for a specific period. While this type of requirement serves to preserve the value of the public investment over the long-term, some concerns have been expressed. One area of concern is the involuntary displacement of tenants that occurs when long-term affordability restrictions expire.

Although long-term and permanent affordability requirements may sound like two terms for the same concept, the basic requirements are fundamentally different. Both are used to retain affordability, but are based on different legal structures.

Long-term affordability requirements retain the affordable units for a specified period of time, such as 10, 20, 40, or 60 years. While 60 years may seem almost permanent now, in the 58th year such an affordability requirement means little to the tenant. Many HUD Section 8 projects that were built with 20 year affordability requirements are now reaching their "affordability expiration date," and some owners are "opting out" to raise rents or even convert apartments to condominiums. Long-term affordability requirements are often tied to a specific funding source.

Permanent affordability requirements are generally based on ownership or a deed restriction on the land. Nonprofit or public ownership of housing is often though not always synonymous with permanent affordability. Affordable apartments or single-family homes may have deed restrictions requiring a specific "affordable" sales price or rental rate. Another form of permanent affordability is a community land trust (CLT), which retains ownership of the land beneath a single family home, manufactured homes, or an apartment building.

Other Considerations

- Long-term or permanent affordability requirements on new rental housing may have the effect of discouraging for-profit developers from building needed units. For-profit developers often build affordable units expecting that eventually they can "roll-over" the units to rent or sell at market prices. An option may be to focus on models in which for-profit developers build housing, but ownership is turned over to a nonprofit to retain long-term or permanent affordability.
- Long-term or permanent affordability requirements on owner-occupied housing may raise equity issues for households taking part in the program. Some oppose limited equity arrangements

EXAMPLES

Long-Term Affordability

State of Oregon. Multi-family projects using funds from the Oregon Housing and Community Services Department are required to remain affordable for a period of 30 years.

Portland, OR. Under the Housing Preservation Ordinance, any units built with funds from the City of Portland must remain affordable for a period of 60 years.

Permanent Affordability

Portland, OR – Sabin Community Land Trust was the first land trust developed in Oregon. Homebuyers will purchase their home with a 99-year renewable ground lease for the land, for which they will pay $25 per month. Families must earn no more than 70 percent of the area median income to qualify to purchase a home owned by the Sabin CLT.

Clackamas County, OR – Clackamas Community Land Trust is a community based membership nonprofit organization established in 1999. Their mission is to buy and build homes to sell to lower income buyers, with the land held in trust for the community.

Portland, OR – Portland Community Land Trust (PCLT) is a new community land trust that will provide a wide array of homeownership and neighborhood stabilization strategies. PCLT is a nonprofit membership organization that was incorporated in December 1999.

on the grounds that low-income people should benefit from the increased equity in their home. Allowing households to capture the equity gain removes the opportunity to retain the public subsidy for future use, but may provide some low-income households more help in moving into market-rate housing.

- Nonprofit or resident ownership coupled with long-term or permanent affordability requirements may be an especially useful tool to mitigate the impact of climbing rents in manufactured home parks.

Recommendations for Implementation

Metro does not have the authority to require local jurisdictions or other government entities to tie long-term or permanent affordability requirements to affordable housing subsidies. However, a regional voluntary guideline for long-term or permanent affordability may be considered by local governments in order to ensure progress towards meeting the region's affordable housing production goals. For instance, if affordable units in one jurisdiction have 10-year affordability restrictions and those in another have 60-year restrictions, the relative effects on the affordable housing stock over time would be quite different.

<table>
<tr><th>Regional</th><th>Local</th></tr>
<tr><td>
A. Public Investment
Encourage that all new publicly funded developments in the region, especially for H-TAC defined highest need households (those in the less than 50% of the region median income category), remain permanently affordable whenever possible. In the event that this is not feasible, or that private investment and development activity is being discouraged, encourage the use of the longest affordability requirement possible.
1. If public dollars are invested, then permanent affordability is strongly encouraged to be required.
2. If other benefits are given to the project, such as a tax exemption, then long-term or permanent affordability requirements are encouraged to be required.
3. If a regional funding source is created, use of those funds should be tied to permanent affordability.

B. Legally Enable Local Governments and Non-profits to Utilize Certain Strategies
1. Encourage local jurisdictions to consider adopting more flexible PUD (planned unit development) codes to allow for different structural types in the same area.
2. Encourage Metro and local governments to lobby the State Legislature to provide enabling legislation that would allow banks to underwrite mortgages for cooperative housing ventures.

C. Accounting for Progress Towards Affordable Housing Production Goals
In accounting towards progress in meeting affordable housing production goals, give different credits for units affordable for longer time periods or permanently affordable.

D. Best Practices
A compilation of "best practices" in implementing long-term or permanent affordability requirements should be compiled to enable jurisdictions to determine what models would work best locally.
</td><td>
A. Strategies to Meet Affordable Housing Production Goals
Some of the long-term or permanent affordability strategies identified here are better suited to homeownership efforts, community building, and neighborhood revitalization. Other strategies can be utilized to help meet regional affordable housing production goals by providing housing for households earning 50% of regional median income or less. The strategies below can be easily tailored to meet the needs of this income group, especially if combined with a community land trust.
1. Limited Equity Cooperatives
2. Permanently affordable rental housing
3. Mutual Housing Associations

B. Strategies to Mitigate Impacts of Increasing Rents in Manufactured Home Parks
Some of the long-term or permanent affordability strategies identified here are especially well suited to mitigating the impacts of increasing rents in manufactured home parks. Key strategies in this situation include:
1. Community Land Trusts – a non-profit organization may purchase the manufactured home park in order to hold the land costs down over time
2. Cooperative Ownership – residents of a manufactured home park could purchase the land and operate as a limited equity cooperative
</td></tr>
</table>

Description

Under state law there are two types of system development charges (SDCs): Improvement Fees and Reimbursement Fees. Improvement Fees are SDCs that are applied to improvement costs associated with capital improvements to be constructed. Reimbursement Fees are SDCs applied to improvement costs for capital improvements already constructed or under construction. SDCs are generally required at the start of a project, prior to other permit approvals or construction. Jurisdictions assess SDCs differently, depending on local needs. SDCs increase the amount of up front cash a developer must have, thus increasing the total cost of the housing unit.

State law (ORS 223.299) limits system development charges to capital improvements related to:

(A) Water supply, treatment and distribution;
(B) Waste water collection, transmission, treatment and disposal;
(C) Drainage and flood control;
(D) Transportation; or
(E) Parks and recreation.

State law (ORS 223.304) also limits the methodology that may be used to impose SDCs as follows:

> *The methodology shall promote the objective of future system users contributing no more than an equitable share to the cost of existing facilities.*

Local Funding Issues

One key factor in analyzing SDC fees is to examine the larger funding base for all improvements. The sources usually include SDC fees, taxes, exactions such as local improvement districts (LIDs), and grants. Depending on the mix of funding sources, the SDC fees are adjusted to ensure sufficient funding for the improvements. If a local government has a well-established infrastructure that has been capitalized over a long period of time, one might expect lower SDC fees. However, if a city is in a rapidly growing area that has required major new infrastructure expenditures to meet the needs of new and existing residents SDC fees may be higher.

Other Considerations

- Waiving fees for affordable housing developments may have the impact of increasing costs for market-rate housing, as the cost of capital improvement projects would be born by the market-rate housing.

EXAMPLES

SDC Waiver or Exemption

Salem, OR. The SDC imposed under City Code Chapter 41 exempts a) housing provided by the Salem Housing Authority, and b) any housing unit if it receives city administered federal housing funds and is affordable to families below 80%MHI.

Eugene, OR. SDCs exempted for a) rental housing for low-income persons <60%MHI, and b) home ownership housing for persons <80%MHI. City Manager is authorized to waive base amount (totaling $115,000 annually) of SDCs for affordable housing. Unallocated portions of annual base amount are added to the base amount for the next fiscal year.

SDC Deferred

Gresham, OR. The City has a program that allows deferred payment or financing of SDCs for new development over a period of up to 10 years. The program is not necessarily tied to affordable housing developments. The objective of the program is to offer all property owners an opportunity to pay SDCs in monthly or lump sum installments as an alternative. Property owners must pay the City the SDC amount plus an interest rate.

Ashland, OR. Since 1991, the city has used deferred SDCs as an incentive to increase affordable housing supply. The deferred SDC is secured by a second mortgage which is recorded and treated as a loan and accrues 6% interest per year. The accrued interest and principal are due upon the sale of the property to a non-qualifying buyer and/or the property is sold for more than the maximum purchase price, which is adjusted every year.

SDC Graduated

Lake Oswego, OR. City Code, Chapter 39.06.105, authorizes that SDCs may be proportionately reduced if "Evidence indicates that construction, alteration, addition, replacement or change in use does not increase the parcel's or structure's use of a system or systems to the degree calculated in or anticipated by the methodology for the particular system development charge."

- Local governments need funds to pay for the cost of infrastructure that is a result of growth – funds to pay for capital improvements must come from someplace if SDCs are waived or reduced for affordable housing. Many governments are not able to fund needed projects without SDCs.

Recommendations for Implementation

Regional	*Local*
A. Legal Opinion on Implementation Request legal opinion from the Metro General Counsel on Metro authority on the implementation of SDC reduction strategies. ***B. Guidelines for Implementation*** The intent of reducing SDCs is to reduce the cost of producing and operating housing and thereby increase the affordability of housing for the "end user." If one element of development costs is reduced (such as SDCs), it is possible that other elements of the development equation (construction costs, developers fees, etc.) could rise quickly to absorb the reduction. Federal, State, and some local funding programs often include a review process to ensure that construction, development and operating costs conform to acceptable benchmarks. However, some local jurisdictions do not currently have a method of ensuring that cost reductions provided by the jurisdiction result in an increase in housing affordability for the "end user." A mechanism should be developed so that a jurisdiction can be assured that the reduction in cost of one element of the development process is retained in reduced development and operating project costs, rather than being absorbed by increases in the cost of other elements of the development process. Local jurisdictions should have their legal counsel review any potential SDC reduction programs to ensure conformance to state law.	***A. Need Based SDC Reduction Strategies*** *1. Defer and Forgive SDCs:* Fees could be <u>deferred</u> for affordable housing projects serving persons in the highest need income group – those in the less than 50% of the regional median household income category. The fees could be <u>forgiven</u> and canceled by the local government if the property remains in the affordable housing program for a period of time (20 years or more) to be determined by the local government. All or a percentage of the fees may be deferred and the local governments may secure the deferred fees by a second mortgage (in the form of a Trust Deed) which is recorded and treated as a loan and accrues a determined interest per year. In the event that the property is taken out of the affordable housing program early, the owner would be required to pay principal and accrued interest. (Note: State law limits the methodology that may be used in implementing SDCs). *2. Defer SDCs until permanent financing is in place*: Fees could be deferred during the development of affordable housing projects. The property owner would be responsible for SDCs when permanent financing is in place (e.g., certificate of occupancy, tax credit equity arrives, etc.). SDCs must be paid in a set time frame. *3. Defer SDCs until sufficient project cash flow becomes available.* Local governments may decide to charge or not charge interest on the deferred SDCs. ***B. Facilities Based SDC Reduction Strategies*** *1. Graduated SDCs linked to the impact of the project on public facilities.* Transportation and parks SDCs for housing for elderly or people with disabilities who make fewer trips and use parks less than large families living in multi-family units may be proportionately reduced by local jurisdictions. The assumptions are that: a) seniors living on fixed incomes and people with disabilities who are unable to work to supplement their income have less need to use roads; b) elderly and people with disabilities will use parks less frequently than families with children.

Permit Fees *Non-Land Use Tool*

Description

Building construction has been regulated to protect life, health and property of citizens for many years. State law requires local jurisdictions to provide comprehensive building code enforcement services, including plan reviews and site inspections (ORS Chapter 455). Permit fees are therefore charged to support the review of construction plans and building site inspections to ensure safe buildings that comply with state and local codes.

The amount of a building permit fee is based on the construction type and anticipated market value of the proposed project. Jurisdictions often base permit fees on formulas provided by the State Department of Consumer and Business Services, Building Codes Division. However, jurisdictions do have flexibility in the amount charged for various permit fees as long as they provide the State with a surcharge on fees collected. The surcharge enables the State to administer building codes. Jurisdictions do not require permission from the State to set or change permit fees from year to year, however, jurisdictions must notify the State Building Codes Division of changes in their fee schedule. For instance, the City of Portland raises permit fees each year in accordance with the increase in the COLA (cost of living allowance).

Building permit fees include charges for all site, plumbing, electrical, mechanical, land use, fire and life safety reviews, as well as subsequent inspections and processing. In general, a permit is required to construct, enlarge, alter, move or demolish any one- or two-family dwelling or related structure.

Permit fees increase the cost of building housing, and are generally required up front which increases the amount of money a developer needs to start a project.

Other Considerations

- Waiving or reducing permit fees for affordable housing may reduce the ability of local governments to carry out their duties.
- Equity issue – is it fair to reduce permit fees for a specific class of people and not others?

EXAMPLES

City of Portland
The Portland Development Commission administers the City of Portland's program for waiver of city development fees for nonprofit developers of affordable housing. Fee waivers are available for items including building permits and zoning fees. Each year the City sets aside a dollar amount to be used for permit fee waivers (recently the amount has been $500,000).

The Bureau of Buildings has a separate policy that supports non-profit agencies that are doing projects with volunteer labor. Fees normally charged for inspections, plan review and other services are waived for qualifying agencies within certain guidelines. For example a maximum of $500 per project and $2,500 per agency per fiscal year will be waived for approved projects.

City of Eugene
The City of Eugene waives planning and development permit fees (building permit, etc.) for affordable housing projects, up to a total of $50,000 each year. The amount of money allocated to permit fee waivers must be used during each fiscal year, and does not roll over to the next year. The program began in 1998 with an administrative decision and did not require City Council approval.

Recommendation for Implementation

Regional	***Local***
1. Guidelines for Implementation The intent of reducing permit fees is to reduce the cost of producing and operating housing and thereby increase the affordability of housing for the "end user." If one element of development costs is reduced (such as permit fees), it is possible that the other elements of the development equation (construction costs, developers fees, etc.) could rise quickly to absorb the reduction. Federal, State, and some local funding programs often include a review process to ensure that construction, development and operating costs conform to acceptable benchmarks. However, some local jurisdictions do not currently have a method of ensuring that cost reductions provided by the jurisdiction (such as deferred and forgiven permit fees) result in an increase in housing affordability for the "end user." A mechanism should be developed so that a jurisdiction can be assured that the reduction in the cost of an element of the development process is retained in reduced development and operating project costs, rather than being absorbed by increases in the cost of other elements of the development process. Local jurisdictions should have their legal counsel review any potential permit fee reduction programs to ensure conformance to state law. *2. Legal Opinion on Implementation* Request legal opinion from the Metro General Counsel on Metro authority on the implementation of permit fee reduction strategies.	*Need Based Permit Fee Reduction Strategies* *1.* *Defer and Forgive Permit Fees:* Fees could be deferred for affordable housing projects serving persons in the highest need income group – those in the less than 50% of the regional median household income category. The fees could be forgiven and canceled by the local jurisdiction if the property remains in the affordable housing program for a predetermined period of time. A local jurisdiction could consider designating a set amount in their budget each year to be used for permit fee waivers for low-income housing. After the set amount has been used up, then no additional waivers would be provided. Forgiven permit fees are paid for by the local jurisdiction from other funds. (Note: A local government is not required to pay the State a surcharge on fees not collected. In other words, the State surcharge only applies to fees that are *collected*). *2.* *Defer permit fees until permanent financing is in place*: Fees could be deferred during the development of affordable housing projects. The property owner would be responsible to pay the permit fees when permanent financing is in place (e.g., certificate of occupancy, tax credit equity arrives, etc.). The property owner would also be responsible to pay the permit fees within a defined time frame. *3.* *Defer permit fees until sufficient project cash flow is available.* Local governments may decide to charge or not charge interest on the deferred permit fees.

Property Tax Exemption *Non-Land Use Tool*

Description

All real property within the State of Oregon is subject to assessment and taxation in equal and ratable proportion (ORS 307.030) unless exempted as provided by State law. Local governments and the State collect percentages of the property tax collected, which is subject to voter-approved limits such as Measure 5 and Measure 47/50.

Property tax is one of the factors affecting the supply of affordable housing, hence some jurisdictions allow property tax exemptions to owners of housing units targeted for low-income residents, which in turn allows the owners to reduce rents or allows homeowners to reduce monthly housing costs.

There are several types of property tax exemptions for affordable housing that are available in Oregon by law. Statutes relevant to evaluation of this strategy are outlined below.

1. **ORS 307.242** The State offers funded property tax exemptions for elderly housing furnished by private nonprofit corporations.
2. **ORS 307.250, ORS 307.370** The State offers property tax exemptions for veterans or their spouses, and homes provided to veterans.
3. **ORS 307.515** Local governments may provide property tax exemptions for low-income rental housing, subject to restrictions. The tax exemption applies only to the tax levy of the jurisdiction unless approval of other governing bodies is obtained, which together equals 51% or more of the total combined rate of taxation levied on the property. A property tax exemption may be provided for a period of 20 years.
4. **ORS 307.540 to 307.547** Local governments may provide property tax exemptions for low-income rental housing owned by a nonprofit corporation. The tax exemption applies only to the tax levy of the jurisdiction unless approval of other governing bodies is obtained, which together equals 51% or more of the combined rate of taxation levied on the property. A property tax exemption under these provisions must be applied for each assessment year.
5. **ORS 307.600 to 307.690** Local governments may grant property tax exemptions for newly constructed multiple unit rental housing located in proximity to central business districts, transit oriented areas and light rail station areas. The exemption only applies to multi-unit housing, and may only be provided for 10 years. The tax exemption applies only to the tax levy of the jurisdiction unless approval of other governing bodies is obtained, which together equals 51% or more of the combined rate of taxation.
6. **ORS 458.005 to 458.065** Local governments may provide property tax exemptions for single family housing in distressed areas. A city must identify the "distressed areas", and the total area may not exceed 20% of land in the city limits. The tax exemption applies only to the tax levy of the city unless approval of other governing

EXAMPLES

Portland, OR. The City of Portland has collaborated with the Portland School District and Multnomah County to gain the 51 percent valuation needed to authorize property tax exemptions for various programs. The City has developed a program that provides an array of property tax exemptions for affordable housing and transit-oriented development.

Tigard, OR. The City of Tigard, after adopting ORS 307.540 to 307.547, has offered a property tax exemption for low-income housing owned by nonprofit corporations since 1996. The program is provided to further enable the city to meet affordable housing goals. To qualify for the tax exemption, a property must be owned by a nonprofit or by a partnership in which the nonprofit corporation is a general partner. The property tax exemption must be applied for each assessment year.

Eugene, OR. The City of Eugene, after adopting ORS 307.600 to 307.690, offers a property tax exemption for multi-family low-income rental housing. The program is provided to enable the city to support the concept of a compact growth form, and increase multi-family development in the core business district. The property tax exemption is available for housing on eligible property within the city that is owned by a nonprofit corporation, and that is actually and exclusively occupied by low income people (at or below 60% MFI).

bodies is obtained, which together equals 51% or more of the total combined rate of taxation levied on the property.

7. **ORS 308.450 to 308.481** Local governments may adopt legislation to provide property tax exemptions for rehabilitated residential property, single family and multi-family units that are located in distressed areas. A city must identify the "distressed areas", and the total area may not exceed 20% of land in the city limits. The tax exemption applies only to the tax levy of the city unless approval of other governing bodies is obtained, which together equals 51% or more of the total combined rate of taxation. The taxation rate on a property under this program shall not be more than its assessed value prior to any rehabilitation improvements, and this reduced rate may be assessed for no more than 10 consecutive years.
8. **ORS 456.225** All property owned by a public housing authority is automatically exempt from property taxes.

Other Considerations

- It may be difficult for some local governments to form partnerships with other taxing authorities in order to reach the 51% needed to provide a full property tax exemption for low-income housing.
- Many jurisdictions are facing budget cuts after Measure 50, and may not be interested in foregoing additional revenue even for affordable housing.
- Phased in property taxes could address the "cold turkey" shock of paying taxes after reaching the end of a 10 year (or other time period) tax abatement. The 1999 Legislature passed HB 3211, which amended portions of ORS 307.600 - 307.691 to allow local jurisdictions to extend tax abatements past the 10-year time period.

Recommendation for Implementation

Regional	*Local*
1. Provide information. Some local governments do not know how to use their authority to provide property tax exemptions for affordable housing. *2. Guidelines for Implementation* The intent of providing property tax exemptions for affordable housing is to reduce the cost of producing and operating housing and thereby increase the affordability of housing for the "end user." If one cost factor is reduced, it is possible that the other elements of the development equation (construction costs, developers fees, etc.) could rise quickly to absorb the reduction. Federal, State, and some local funding programs often include review processes to ensure that construction, development and operating costs conform to acceptable benchmarks. However, some local jurisdictions do not currently have a method of ensuring that cost reductions provided by the jurisdiction (such as a property tax exemption) result in an increase in housing affordability for the "end user." A mechanism should be developed so that jurisdictions can be assured that the reduction in the cost of an element of the development process is retained in reduced development and operating project costs, rather than being absorbed by increases in the cost of other elements of the development process. Local jurisdictions should have their legal counsel review any potential property tax exemption programs to ensure conformance to state law.	1. *Consider property tax exemptions for highest need housing – for households 50%MHI and less.* This would further enable the region to reach affordable housing production goals. 2. *Consider providing property tax abatements or exemptions for renter and owner occupied housing preservation and rehabilitation.* Preserving and rehabilitating existing affordable housing is often the most cost effective method available to provide affordable housing in this region. 3. *Consider providing property tax abatements or exemptions for owner occupied housing* • *Senior housing:* For seniors living on fixed incomes from social security, pensions, or retirement plans who are in danger of being displaced from neighborhoods due to increased property taxes. • *H-TAC defined income groups:* Housing based on H-TAC defined income levels. ❑ 51-80% of MHI ❑ 81-120% of MHI 4. *Consider extending tax abatements after the 10-year time period in return for a commitment by the property owner for long-term affordability.* This could provide additional units of affordable housing for lower income households that would not otherwise be available.

Description

When the supply of land available to develop for housing is limited, the funding for public improvements lacking and demand for additional housing is high, the cost of land increases. The cost of land is generally dictated by the workings of the market, while the availability of developable land that is zoned for housing is dependent on local, regional and state governments' policies as well as public investment in roads, sewers, and other public facilities.

The urban growth boundary (UGB) delineates the area in which urban development may occur. Outside of the UGB urban services such as sewer and water may not be provided, thus making more dense development impossible. This has the impact of reducing the overall land supply, therefore reducing the amount of land available for residential development and thus increasing the cost of land, unless more efficient use of land within the UGB is allowed and marketable.

Studies have shown that housing developers currently are having difficulties with the cost of land and scarcity of large pieces of land on which to build. These conditions reduce the opportunity for builders to develop economies of scale. These impacts are likely to affect single family units more than multi-family units, as a multi-family development is able to absorb the higher land costs by increasing density.

The *Oregon Housing Cost Study* (December 1998) showed that homebuilders in Oregon operate at a smaller scale than typical for other parts of the country. There are smaller companies producing homes at relatively low volumes. The fragmented building industry also contributes to a lack of economies of scale, which potentially results in higher costs to produce housing. Small builders may be hard pressed to produce affordable housing that is appropriate for infill lots located in existing neighborhoods due to the cost of plans and designs as well as difficulty in locating potential lots. Additionally, expectations for "starter homes" have changed over the years, with many builders operating under the perception that homes will not sell without certain amenities, which also increase cost.

Strategies identified by H-TAC include public and private donation of land, land banking, and public-private partnerships.

Oregon state law grants governmental bodies the right to transfer title of developed and undeveloped property that is no longer needed for public use to a different public agency or a nonprofit corporation for another public purpose as defined by the State

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Public Donation of Land
Multnomah County, OR.
Multnomah County's Affordable Housing Development Program (AHDP), revised in 1997, was created to "foster the development of affordable housing for lower income families using the inventory of County tax foreclosed property." County Ordinance 895 allows the no cost transfer of tax-foreclosed properties to nonprofit housing sponsors and sets notification, selection and transfer requirements.

Private Donation of Land
Faith Based Organizations
The mission of faith-based organizations is often well served by providing land for affordable housing. Some faith-based organizations develop housing themselves; others either donate or lease land to nonprofit housing developers. An analysis of vacant tax exempt land shows that faith-based organizations own approximately 700 acres of undeveloped land in the Metro region.

Land Banking
Eugene, OR. The City of Eugene Landbank program was first established in 1982. The program's purpose is to have a supply of vacant land available to support development of public-purpose housing. The program is designed to ensure that builders who participate in public-purpose housing programs will have appropriate sites available. As funds become available, the city identifies appropriate parcels of land for subsidized or specialized housing projects. Once the city acquires title, the parcel is "banked" to await development proposals. The city allocates $300,000 of CDBG funds each year to the Low-Income Housing Trust Fund to be used to purchase parcels for the Landbank Program.

(ORS 271.330). The law includes “transfers without consideration of property held by counties as a result of tax foreclosures.”

There are many examples of situations around the country and in Oregon where private organizations have donated land for affordable housing. Such donations, when made to a nonprofit housing provider, may frequently be written off income taxes, and may also increase the positive public image of a corporation or private organization. Some private organizations find that their mission is well served by donating land to be used as housing for those in need, such as faith based or fraternal organizations.

The development of affordable housing depends, to a large degree, on the availability of sites. Landbanking is a technique whereby a city or county, in anticipation of future development, acquires vacant land, underutilized sites, or properties with the potential for reuse or rehabilitation. Landbanking gives a community direct control over the location, timing, and type of housing built. Jurisdictions are also able to assemble smaller properties over time to create sites for larger projects.

Other Considerations

- The market plays the largest role in determining the cost of land and often its availability, while government plays a much smaller part in impacting this cost factor. There are taxation and regulatory tools that could impact the market, but these are outside the scope of this report.

Recommendation for Implementation

Metro does not have the authority to require the implementation of any of the strategies to address land cost and availability that are described above. Strategies outlined below would help jurisdictions in the Metro region move towards meeting regional affordable housing production goals and encourage the development of additional affordable housing in the region.

Regional	***Local***
1. Facilitate public/private partnerships. Jurisdictions could cooperate to create subregional or regional public/private partnerships to facilitate the development of affordable housing, focused in redevelopment or infill areas. Examples include: – *Support smaller builders.* Tools could be developed including, but not limited to, the following: ♦ Inventory of infill lots available for redevelopment/new development ♦ Design/subdivision assistance (similar to the Portland Design Center), including plans that meet codes and neighborhood expectations ♦ Design awards recognizing good infill examples ♦ Hold meetings with homebuilders/realtors/designers to coordinate more infill and redevelopment ♦ Internet or other database of possible sale opportunities	*1. Donation of publicly owned property.* Jurisdictions could cooperate with nonprofits to identify and donate publicly owned land that is no longer in use to be used for affordable housing. Temporary use of such land could be considered by jurisdictions. Encourage increased donation of tax foreclosed properties to nonprofits and public agencies to be used for the development of affordable housing. *2. Donation of privately owned property.* Jurisdictions could encourage private corporations and faith based organizations to donate land for affordable housing. *3. Land banking.* Jurisdictions could consider participating in the Enterprise Foundation’s revolving fund land bank program, or consider establishing a local landbanking program using local or CDBG funds to support the development of additional affordable housing. *4. Community Land Trusts (CLTs)* Jurisdictions could encourage the development of community land trusts and other limited equity affordable housing options. *(More information on CLTs may be found in the Long-Term & Permanent Affordabilty strategy).*

Off Site Improvements *Non-Land Use Tool*

Description

Off site improvements are often required of developers to ensure that a development has adequate public facilities and services to serve the site and to extend the public facilities to provide for logical continuation of a local government or special district street and utilities systems. Off site improvements typically fall in two categories: 1) traffic or street related items, or 2) on-site storm drainage facilities. Traffic improvements may include traffic lights, sidewalks, and general street improvements. Storm drainage improvements may include storm drainage, on-site stormwater quality control, water distribution and fire protection.

In most cases a developer constructs the off site improvement. However, in some cases where the development is in a Local Improvement District, the developer may be given the option to pay the local government or special district to do the construction. It should be pointed out that when the developer chooses to pay off site improvements fees to the local jurisdiction to do the construction, such fees are not associated with system development charges and permit fees. Off site improvement fees differ from a general fee in that they are assessed for improvements that are directly related to a development site, rather than to pay for system wide improvements.

Private utilities may also assess additional charges on the development of housing. These charges must be related to the specific impact of the new development. Private utilities include telephone, electric, and gas services.

While off site improvements add to the cost of developing housing, frequently a local jurisdiction has no alternative for funding a needed improvement other than the new development. The key is to ensure that a specific development is only required to provide improvements commensurate with the level of impact imposed by the new development.

The need for off site improvements often is determined by timing – either the first or last developer into an area is held responsible for improvements that are needed for a larger area. For instance, the first developer in an area may be required to construct a road, along with street improvements, that will serve other developments. The developer may or may not be provided with credit from future developments. For the last developer in, off site improvements that should have been required of previous developments may now be necessary, such as traffic lights.

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Most cities and counties impose requirements for off site improvements on a case – by – case basis under the same general conditioning authority for on site improvements. The requirements may be worded as follows: "The [city/county] may impose conditions of approval to mitigate the impacts of the development on public facilities and infrastructure."

For example, if a development is going to generate traffic, a traffic study is typically required. If the study indicates that the traffic increase would warrant a traffic signal at an intersection up the street, the condition to install the signal (or contribute to the cost of installation) is imposed.

Very few local governments have express off site improvement requirements because the need varies from development to development, and because *Dolan v. the City of Tigard* basically precludes blanket "one size fits all" exactions.

Other Considerations

- Local governments need funds to pay for the cost of infrastructure that is a result of growth – funds to pay for off site improvements must come from someplace if requirements are waived or reduced for affordable housing.
- On site stormwater detention can be a very expensive component of developing housing in many situations. The most cost effective method of addressing the need for on site stormwater detention facilities would be to develop a regional drainage system, rather than on a site-by-site basis. However, this would require a huge public investment that may be difficult to pass through the public approval process.

Recommendations for Implementation

Regional	***Local***
1. Consider cost of off-site improvements when amending the UGB Some of the undeveloped land inside the urban growth boundary tends to be harder and more expensive to develop because of their terrain. The cost impact of developing these types of land could be considered in the expansion of the urban growth boundary. *2. Use a Regional Fund as a "Bank" for Off-site Improvements for Affordable Housing* If a regional funding source is created, use a portion of the fund as a "bank" to fund off site improvements for affordable housing developments. The fund could be provided at varying low interest rate loans depending on the amount of affordable housing provided at the site. *3. Educate Utility Commissions* Work with utility commissions to educate them on the public benefit of affordable housing, to reduce the impact fees of providing utilities to affordable housing projects. *4. Address Stormwater on a Watershed Basis* Stormwater detention/runoff should be addressed on a watershed basis when appropriate. On site stormwater detention is an important cost component of developing housing, and a water shed wide drainage system would be one of the most cost-effective method of dealing with stormwater runoff. *5. Consider Affordable Housing when Developing Natural Resource Protection Plans* Develop Goal 5 implementation policies that take into consideration the affordable housing needs of this region. *6. Legal Opinion on Implementation* Request legal opinion from the Metro General Counsel on Metro authority on the implementation of Off Site Improvement requirement strategies.	*1. Reduce the Guarantee of Completion* Encourage local governments to consider offering a reduction of the Guarantee of Completion to developers of affordable housing in the form of a reduced percentage of the estimated construction cost of the public improvement that the developer is required to secure in bond or letter of credit. *2. Reduce the Maintenance Guarantee* Encourage local governments to consider offering a reduction of the Maintenance Guarantee to developers of affordable housing in the form of a reduced percentage of the estimated construction cost required prior to the jurisdiction accepting ownership and operation of the privately financed public improvement. *3. Target CDBG Funds for Public Infrastructure for Affordable Housing* Encourage local governments to target CDBG funds for public infrastructure for affordable housing. Local participating jurisdictions could develop a policy to set aside a certain amount of CBDG funds to offset a reduction in the fees charged developers for public improvements constructed by the jurisdiction (instead of the developer). Joint development of public infrastructure by a group of developers could get reduced fee charged developers for public improvements constructed by the jurisdiction. *4. Allow Project Phasing* Encourage local jurisdictions to allow the development of projects in different phases, because phasing in of projects could save money for affordable housing developers.

Description

Building codes are a set of regulations that govern the construction of buildings and other structures. States across the country develop building codes based various model building codes. In Oregon, the State Building Codes Division adopts various model codes including the International One and Two Family Dwelling Code printed by the International Code Council (ICC) and the Uniform Building Code written by the International Conference of Building Officials (ICBO). These codes are adopted and implemented statewide by the division and local jurisdictions (ORS 455.030 and 455.040). The state building code includes over a dozen specialty codes dealing with different aspects of a building such as structure, boilers, electrical wiring, elevators, plumbing, mechanical systems, etc. Developers and builders of housing must have building plans reviewed for compliance with applicable codes before a building permit is issued to start construction.

Although the mission of the State Building Codes Division "working with Oregonians to ensure safe building construction while promoting a positive business climate," the codes and the building permit process has been criticized for contributing to higher housing costs and thus a shortage of affordable housing. Strategies for reducing the cost impact of the building permit process have been addressed in another strategy report "*Local Regulatory Constraints – Permit Approval Process & Discrepancies in Planning and Zoning Codes: Cost Reduction Factor for Affordable Housing.*" Building codes have been criticized specifically for:

a) Lack of uniform interpretation, which contributes to difficulty obtaining plan review and permits, expensive contract corrections, and increases construction time;
b) Penalizing owners of older buildings for renovations by requiring expensive upgrades;
c) Lack of a cost/benefit analysis when code changes are adopted and implemented.
d) Difficulty changing specific code standards when new technologies, building techniques and building materials could be used to reduce costs while maintaining safety.

While each individual code change may not have a large impact, the cumulative cost of increased requirements has a large effect on the cost of new construction and renovation of existing buildings.

State of Oregon Efforts

According to the Department of Consumer and Business Services, Building Codes Division, Oregon has recently taken

EXAMPLES

Codes for New Construction

State of Montana. In 1997, the Montana Building Industry Association (MBIA) recruited the Montana Board of Housing to conduct a study on potential code amendments that could reduce the cost of housing without affecting life/safety. The Montana Board of Housing provided a $20,000 grant for engineering consulting services to assist in the MBIA study. The study produced 18 separate recommendations on specific technical issues, including a request for universal code interpretation procedure, and was submitted to the Montana Building Codes Division.

According to the MBIA, these new amendments and interpretations are estimated to reduce the cost of an average home by $5,300. The association also added that if theoretically applied to the state's average annual total housing starts of 3,500 homes, the package would result in potentially $18 million in consumer cost savings annually.

Codes for Rehabilitation

State of New Jersey. In 1996 the State of New Jersey set out to develop a new rehabilitation subcode of the existing Uniform Construction Code. The new rehabilitation subcode went into effect in 1998. The subcode is one of the strategies adopted by Governor Christine Todd Whitman for the revitalization of cities. A 60 percent increase in rehabilitation of old structures has been attributed to the new rehabilitation subcode. The subcode has reduced rehabilitation cost by as much as 50%, with the average around 10%, as reported by the state community affairs department.

The New Jersey rehabilitation subcode has been cited as a national model.

steps to address the issues of code uniformity, timeliness of plan review and inspection, and other related customer and industry concerns. Two Oregon State Senate bills (SB512 and 587) were passed by the 1999 Legislature.

SB 521 created a Tri-County State Board for Clackamas, Multnomah, and Washington Counties. The board was granted authority and responsibility to standardize forms, including plan requirement checklists, and certain plan review and permit procedures. The bill also created a Building Codes Division Service Center in the Tri-County area to provide specific centralized services including the label program for minor work that provides for a reduced number of inspections.

SB 587 included several facets applicable statewide that are intended to improve the effectiveness and timeliness of local building code services. First, fees received for plan review and permits must now be dedicated to the building inspection program. Fees are also limited to those reasonable and necessary to carry out the program. Second, a revised appeal process goes into effect July 1, 2000 allowing an aggrieved party to appeal a code interpretation directly to the state code experts rather than be delayed by the current local and state appeals processes. Third, authorization for third party plan review and inspection has been created for use where a local jurisdiction is unable to provide timely service (considered to be 10 business days for one and two family dwellings).

Another activity currently underway by the Department of Consumer and Business Services and Building Codes Division is an interim study of statewide code administration. The goal is to identify an ideal system to be implemented over time to more effectively meet customer needs and protect public safety.

Recommendation for Implementation

Building codes are developed at the state level and implemented by local jurisdictions. Metro can only draw attention to the large impact that building code changes have on the cost of producing new housing and renovating older buildings. H-TAC encourages the state to consider the following recommendations.

State
1. *Analyze current building codes.* A cost/benefit analysis of the existing building codes should be conducted that accounts for the high priority placed on providing affordable housing to residents of the state. Amendments to State and local buildings codes should be based on cost/benefit of implementing additional codes, weighing the safety issues with housing affordability.
2. *Evaluate the effectiveness of SB 512 and 587 and implement appropriate standardized plan review and permit processes statewide.* Increase the use of technology and training to effectively implement more consistent code interpretations.
3. *Consider developing a separate set of codes for rehabilitation of older buildings.* Compare the current Oregon code requirements for the rehabilitation of existing buildings to models used in New Jersey and elsewhere, and develop appropriate code changes for consideration by the Building Codes Division and appropriate advisory committees and boards. This could include developing a separate set of codes for rehabilitation of older buildings, as was done in New Jersey.
4. *Improve coordination and cooperation.* Improve partnership among state and local building officials, builders and other trade groups involved in housing production with the goal of improving regulatory activities to enhance affordable housing production and improvements.
5. *Independent Review Panel* Consider setting up an independent review panel to consider the cost impact of new and existing codes.
6. *Strengthen the Educational System* The state should strengthen the current educational system for code related matters that provides opportunities for all (many community colleges currently offer related courses).
7. *Develop a Checklist* Develop a checklist of applicable code requirements for specific categories of work to be used by developers and other contractors. This would help to facilitate the permit and code approval process.

Local/State Coordination *Non-Land Use Tool*

Description
Affordable housing funding is provided by many sources, including local, state and federal governments, as well as other private and public sources. Nonprofit and for profit affordable housing developers are faced with a complicated process when applying for funds to develop housing. Funders have varying application processes, funding restrictions, and project monitoring requirements. While requirements are important to ensure that funds benefit low-income tenants and that investments are secure, they often complicate the process of producing affordable housing and thereby increase cost. Application timing and requirements often vary, and may be co-dependent. For example, applications for state and federal funds may require a local match, application deadlines may not be consistent, the result being delay.

Additionally, sometimes State policies appear to have contradictory goals that increase difficulties for funding applicants. For instance, the State currently discourages displacement of tenants in any State-funded project, regardless of the income of the displaced tenant. While this is an important policy, there are times when it contradicts goals of preserving and rehabilitating existing affordable housing stock. Allocating scarce project funds to relocation assistance for tenants that do not meet applicable income restrictions may have the effect of making a rehab/preservation project financially unfeasible. This is a key issue in housing markets like those in the Metro region, where tenants tend to relocate voluntarily due to factors other than displacement, such as an increase in income or a change in job location.

The State sets housing policy based on priorities, goals, and criteria it develops and in compliance with Federal restrictions, as understood by the State. The State then presents this housing policy for public comment, which sometimes results in conflicts between local housing goals and State funding policies.

Other Considerations
- The requirements of many funders are not subject to change; thus local government requirements should be revised to facilitate coordination. Application forms are unlikely to be revised by various funders, as a consolidated form may not meet priorities and needs of various funders. Coordination should aim to ease the development process, but complete consolidation may not be feasible.

Recommendation for Implementation

Regional	*Local*
1. Ongoing Policy Dialogue Create a stable platform for an ongoing policy dialogue between local governments & the State to ensure coordination between local policies & goals & State funding decisions. • *Hold a regional forum.* Encourage a meeting to be held with the following participants: Participating Jurisdictions (jurisdictions that dispense HOME dollars), for-profit & nonprofit housing developers, housing authorities, & redevelopment agencies to discuss current coordination issues and potential solutions with the State. • *Ongoing policy dialogue.* A regular (perhaps semiannual) policy forum should be instituted among Metro region housing authorities, the State (including the State Housing Council), housing providers, & redevelopment agencies. The forum should encourage open discussion among participants with the goal of developing & refining housing policy on a cooperative basis to meet regional affordable housing needs.	*1. Project Monitoring Requirements* H-TAC recommends that local HOME Participating Jurisdictions (jurisdictions that dispense HOME dollars) meet with the State to develop a recommendation for coordinated monitoring of a project, thus reducing the burden on nonprofit and for profit housing developers using multiple funding sources to produce affordable housing. Separate project monitoring by a variety of funders places a high burden on both the housing provider and the tenant.

Regional Housing Resource/Database *Non-Land Use Tool*

Description

H-TAC developed affordable housing production goals and strategies that could be used by Metro, local governments, non-profit and for-profit developers and other entities to achieve the goals. The following questions describe the main issues that arise in terms of implementing, monitoring and evaluating strategies and progress in meeting the goals.

- How should we measure our efforts towards the goals? What kind of resources will be required?
- What kind of data currently exists at Metro? Where will other information or data come from?
- Do we need to consider some sort of reporting system?

To provide answers to the above questions, H-TAC recommends that Metro serve as a regional housing resource and develop a database that would provide information to be used as follows:

- Evaluate implementation of the RAHS, including assessment of progress towards increased affordable housing production and preservation;
- Develop and implement local governments' Consolidated Plans;
- Provide resources and/or data to help housing developers develop credible funding applications.

Other Considerations

- Local governments may be reluctant to take on additional data collection and reporting due to lack of resources. In addition, some of the data are available only at a price in the private market.
- Metro may have to budget for data that must be purchased on the private market.
- Some important sources of data, such as the US Census, are only updated every 10 years. However, the American Community Survey provides a lesser amount of data more frequently.

Recommendation for Implementation

Regional	*Local*
1. Overall Data Analysis • Metro should utilize US Census data, when available, to analyze housing needs in the region. • Use a periodic survey to determine what strategies are working/not working, including why a strategy works well in one place and not others. *2. Data Necessary to Track Progress in Meeting Affordable Housing Goals* Make efforts to collect at the regional level the following data for measuring contributions of various entities in the region: i) Multi-family rental units by size, location & rental amount • Currently existing/Newly produced ii) Single family rental units by size, location & rental amount • Currently existing/Newly produced iii) Publicly assisted rental units by size, location & income group • Currently existing/Newly produced • # set aside for elderly, people with disabilities, other special groups • Accessibility of newly produced units iv) Households by income groups and location v) Owner occupied units by size, location & value/sale price • Detached, attached and condos/coops vi) Buildable land available by jurisdiction & zoning vii) Employment by location, occupation & wage level *3. Data Necessary to Track the Cost of Producing Publicly Subsidized Housing* i) Cost of production: new MF by construction type, size (# bedrooms) & location ii) Cost of production: new SF by construction type, size (# bedrooms) & location iii) Cost of rehabbed units by construction type, size (# bedrooms) & location *4. Metro partnership with local jurisdictions* Metro staff should work with local jurisdictions to develop a reporting process so as not to increase the burden on local governments more than necessary.	Local jurisdictions should cooperate in the data collection process by providing the following pertinent information to Metro for compilation and analysis. i) Publicly assisted rental units • By size, location, income group • Number for seniors, people with disabilities, etc. • Existing • Newly produced • Accessibility of newly produced units • Rehab or new construction • Cost of production by construction type, size (# of bedrooms) and location ii) Amount of subsidy available – in cooperation with State and Federal funders

IV. REGIONAL FUNDING STRATEGIES

Introduction

Using Metro data, H-TAC has estimated the regional housing need by 2017 for new and existing households earning less than 50% of regional median household income (MHI) or less to be about 90,000 units. Currently, the average production rate for assisted rental units is approximately 1,146 units annually for households earning 80%MHI and less. However, H-TAC's determined housing need focuses on households earning less than 50%MHI, and producing housing for this income group requires a significantly larger amount of subsidy. At this rate, it would take many years to meet the region's affordable housing need, especially with the level of resources currently available.

Federal and State governments have traditionally provided the bulk of funds for affordable housing. Some local governments, especially urban cities and counties, also allocate local funds for affordable housing production. However, these funds have been declining and are not sufficient to meet the need. A regional fund would enable local governments and other entities involved in the production of affordable housing to better meet the housing needs of local residents.

The Regional Framework Plan Policy (RFP) 1.3, Housing and Affordable Housing, charged H-TAC with developing affordable housing goals for the region and identifying tools and strategies to implement the affordable housing production goals. One of the strategies identified in the RFP is regional affordable housing funding. Following is the RFP housing policy language that relates to regional funding:

> In developing the Regional Affordable Housing Strategy, the Affordable Housing Technical Advisory Committee shall also address the following:
> "D) a variety of tools to ensure that the affordable housing to be accommodated is actually built, such as: affordable housing funding programs"
> "I) consideration of a real estate transfer tax as a funding source for an affordable housing fund at the state, regional or local level when that option becomes available under state law…"

Current & Potential Funding Sources in the Region

Funding for affordable housing has been an issue for many years. Shelter is a basic human need, and since the beginning of cities it has been necessary to focus time and resources on providing affordable housing. Historically the federal government has taken the lead in providing funds for the provision of affordable housing. However, long term federal commitments from the federal government for lower income housing are declining, introducing uncertainties for tenants, owners, communities and lenders. The yearly possibility of program reductions to many U.S. Department of Housing and Urban Development (HUD) programs introduces uncertainties not found in typical tax measures that are not subject to annual appropriations, and are instead regarded as "permanent." Public housing authorities must use the private market, with support from other federal subsidies, for financing new development.

Federal government funding for affordable housing is mostly funneled through states, counties and cities. With the reduction in federal funds for the construction of new public housing units through the public housing authorities, nonprofit community development corporations have stepped in to meet local needs for the provision of lower income housing construction. Nonprofits are generally community based and form to meet the needs of specific groups in a community, such as senior citizens, disabled people, or large families. Funds used to develop housing built by nonprofits are typically competitively allocated by the state or federal government, and may be combined with private dollars as well.

See Appendix C for more information on the current and potential funding sources available in the region.

Maximize Existing Funding Sources

H-TAC identified three main areas that could help jurisdictions in the region maximize use of existing funding sources.

1. Training Program.

It takes a lot of time to learn about the various programs for affordable housing funding and to understand the application procedures. Many smaller jurisdictions, newer community development corporations, and small builders do not have the resources to devote to searching for money for housing or to develop local funding programs or tools. Much of the knowledge and expertise needed to successfully apply for and manage funding resources is typically gained over a period of years, while the need for affordable housing in many communities has skyrocketed within the last decade.

2. Coordinate and Improve Federal Programs.

A. Consistent Consolidated Plans. Although housing is a regional issue, it is not addressed consistently throughout the region. Each entitlement community[4] is required to produce a Consolidated Plan every five years in order to receive funds from HUD. The Consolidated Plan outlines the community's housing needs and priorities and identifies areas most in need of funding. Jurisdictions within a county can cooperate to complete one Consolidated Plan, and dollars for communities with a population less than 50,000 are channeled through the county. The following entitlement jurisdictions complete a Consolidated Plan: Portland, Multnomah County and Gresham (together); Beaverton and Washington County (together); and Clackamas County. H-TAC discussed the potential of completing Consolidated Plans consistently so that numbers and issues are comparable regionwide and a regional picture can be estimated from combined totals. Some of the benefits of coordinating are:

- *Innovative.* It would be innovative – this has not been done elsewhere. Such an effort might give entitlement communities in the Metro region a competitive edge in applying for housing dollars.
- *Maximize efficiency.* It would reduce duplicate efforts – the regional picture could be easily derived.
- *Consistent format.* Currently, each jurisdiction develops their Consolidated Plan in a unique fashion, using different data sources and formats. This makes it difficult to get a regional picture of housing needs. All Consolidated Plans developed in the region should use consistent data and format.
- *Coordination.* Housing programs and priorities could be consistent throughout the region, taking into consideration affordable housing production goals, jobs-housing balance, and transportation.

B. Recommend use of HOME dollars for highest need housing. HOME dollars are awarded by HUD through a formula to participating jurisdictions – each dollar of grant funds must be matched with 25¢ of local money. The funds are targeted for households with incomes less than the median income. This is one of the few sources of money still available from the federal government to develop or retain housing.

C. Promote changes with HUD and other Federal Programs. Encourage the Oregon Congressional Delegation to support changes with HUD and other Federal Programs to increase development of affordable housing and opportunities for homeownership.

3. Enterprise Foundation Regional Acquisition Fund.

The Portland Regional Land Banking Program is a partnership between The Enterprise Foundation and the Housing Development Center, with support and coordination provided by the City of Portland and other local jurisdictions. The purpose of the fund is to acquire and hold development sites throughout the region, preserving the opportunity for the creation of community-based developments. The fund will function as a revolving account, capitalized with $20 million from The Enterprise Foundation, providing local jurisdictions the opportunity to access the fund by providing loan guarantees to purchase property.

[4] Jurisdictions that receive CDBG and HOME funds directly from the federal government.

Recommendations for Implementation

<table>
<tr><th>Regional</th><th>Local</th></tr>
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1. Training Program
Develop a training program for staff from local jurisdictions, nonprofit and for profit housing developers, and lenders to enable them to increase efficiency in producing affordable units. Possible components include:
• *Management of Program.* The program could be run through an existing organization that provides technical assistance for affordable housing development, such as the Neighborhood Partnership Fund.
• *Annual Training Sessions.* Annual 1-2 day training sessions focused on grant writing, resource management, effective tools and providing opportunities for jurisdictional coordination.
• *Internet Resource Site.* Add to the Enterprise Foundation web site, to provide information from annual training sessions as well as resources, best practices, and grant deadlines.
• *E-mail List Serve.* Compile an email list serve of those interested in receiving updates on funding opportunities, and to serve as a forum for issues related to increasing the supply of affordable housing in the region.
• *Expanded Scope.* Annual training sessions and other resources could be focused specifically on funding opportunities or expanded to provide a forum for dispersing information on best practices for cost reduction and land use strategies.

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1. Coordinate and Improve Federal Programs
A. Consistent Consolidated Plans in the Region
Entitlement jurisdictions currently working to develop consolidated plans (required by HUD) should include a letter or short memo in each Consolidated Plan that describes regional efforts to address housing issues. Efforts should be made to discuss further coordination in the future.

B. Allocation of HOME Funds
Recommended strategies for maximizing the effectiveness of HOME dollars in the Metro region.
• *Coordination.* Possibility of coordinating HOME funds from cities and counties of the region – regional coordination as exemplified by A Regional Coalition for Housing (ARCH) in east King County, Washington.
• *Prioritize based on highest need.* Use HOME dollars to meet highest priority regional needs, consistent with local priorities described in local Consolidated Plans.

C. Promote changes with HUD & other Federal Programs
Encourage the Oregon Congressional delegation to support changes with HUD and other Federal programs to encourage the development of affordable housing, especially as referenced below.

• *Change the length of the contract.* Federal budget accounting should be changed to permit longer-term contracts for all HUD rental assistance, even in the absence of an increase in total units, which should also be supported. This would give greater parity to programs that serve very low income tenants (other federally funded programs providing benefits for higher income tenants than rental assistance programs – such as Low Income Housing Tax Credits – provide 10-30 years of federal benefits).
• *Allow more discretion to local housing authorities to project base Section 8 vouchers.* Change administrative rules to permit simple project basing of vouchers, subject to 15% cap of total units. HUD estimates this would support $90-120 million one time acquisition/construction of affordable and available units. (Note: HUD estimates that nationally 53% of units with affordable rents are not available because higher income renters occupy them).

Encourage elected leaders in the Metro region to execute an intergovernmental agreement to require that all publicly assisted projects accept voucher tenants using the same screening criteria as other tenants.

2. Enterprise Foundation Regional Acquisition Fund
Encourage all participating jurisdictions to utilize The Enterprise Foundation's $20 million regional acquisition fund. While this is not a permanent funding source, it provides jurisdictions access to capital to acquire quality development sites when they are available. This fund is low cost patient capital that will allow jurisdictions to purchase and hold property for up to five years prior to development. However, the Enterprise Foundation does require a guarantee. The counties should work with Enterprise to develop a consistent mechanism for loaning the money.

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New Funding Source

Need for a New Source of Funding

There is an overwhelming need for a new affordable housing fund in the Metro region. Even if all of the jurisdictions in the region utilize all of the possible Federal and State funds available, there will not be enough money to meet the affordable housing needs of the region.

In the development of affordable housing goals, H-TAC determined a need for approximately 90,000 additional affordable units for households earning less than 50%MHI in the region over the next 20 years. In an effort to develop a reasonable but ambitious goal for housing production in the region, H-TAC developed a five-year affordable housing production goal of 9,048 homes based on 10% of the benchmark need.

Based on the data provided in Chapter Three: Regional Housing Goals, the total federal and state subsidy available annually that could reasonably be used to produce housing for households earning 50%MHI and less is **$27,077,586**. The total cost of meeting the Five-Year Affordable Housing Production Goal can be estimated to be **$124,210,944**, based on a number of assumptions described in Chapter Three. Thus, an additional subsidy of **$97,133,358** is necessary to begin to meet the housing needs of residents of the region.

In addition to a basic need for more dollars to produce housing, H-TAC also identified the importance of controlling the use of new funds at a local level. A regional fund could be used to meet regionally and locally identified housing priorities, while funds from the state and federal governments often have different priorities and restrictions.

Funding Sources Considered

H-TAC discussed several possible sources for a regional fund devoted to affordable housing. While the following funding sources are successful elsewhere, H-TAC decided not to recommend them at this time: 1) Regionwide Bond Measure for Housing and 2) Housing Linkage Fee. H-TAC chose to focus efforts on a proposed regional Real Estate Transfer Tax (RETT), as this showed the most potential for raising a large amount of money for housing.

A Real Estate Transfer Tax (RETT) is paid by the seller of a residential, industrial, or commercial property. The tax is paid is when the property is sold, and is calculated as a percentage of purchase price. There is a strong nexus between taxing transfer of property and providing affordable housing for residents in the region in need of assistance. A RETT is not regressive, meaning that the tax is less for a less-expensive sale

EXAMPLES

Employer Assisted Housing – Portland, OR

Siltronic Home Ownership Program (SHOP). In 1996, Wacker Siltronic, one of Portland's largest manufacturers, developed SHOP in partnership with two non-profit housing developers, Home Ownership One Street at a Time (HOST) and North East Community Development Corporation (NECDC) and Fannie Mae. Under SHOP, eligible employees receive a loan of up to $5,000 to be used toward the down payment or closing costs for their first home. In conjunction with SHOP, Fannie Mae will purchase loans made by local lenders. The loan is fully forgiven if the borrower remains employed at Wacker Siltronic for five years.

Legacy Emanuel Neighborhood Home Ownership Program (ENHOP). In 1992, Legacy Emanuel Hospital created a program to assist employees in purchasing a primary residence within targeted North/Northeast Portland neighborhoods. EHNOP provides loans to qualified employees within identified geographic boundaries. Loans cannot exceed $5,000 and can be used for down payment, pre-paid reserves, and closing expenses. The loan is forgiven based on 20 percent per year, and interest payments of 8.5 percent are deducted from the employee's paycheck.

Portland School District "Homeroom" Program. In 1999, the Portland School District and the Portland Teachers Credit Union created the Homeroom Program to recruit potential teachers to Portland and to keep them working in the city's schools. Under the program, full-time teachers and administrators in their first five years working in the Portland Public Schools are eligible for mortgages that will allow them to buy a house or condo with no down payment. The credit union provides an interest-free loan on top of the mortgage to cover closing costs, and also allows the homebuyer to forgo mortgage insurance. Loan recipients must remain with the school district to continue to receive the low rate and the interest free portion of the loan. This program provides Portland Public Schools with a useful incentive to attract and retain teachers, and also provides the Portland Teachers Credit Union with additional clients.

than for a very expensive sale. Thus, those more able to afford to help provide the most assistance for those in need. H-TAC is proposing that homes selling below a set "affordable" price be exempt from the tax so as to minimize impact on low- and moderate-income homebuyers. The RETT is also cyclical – when the economy is strong and property sales are up, the amount of tax collected will be higher than when the economy is in a downturn. This means funds raised by the tax will be higher when housing affordability is more of a problem, and lower when housing prices are lower.

There are many benefits to the implementation of a regional RETT. The fund would provide dollars to target housing development to those areas of the region most in need of affordable housing, and would provide homes for people with the highest need. As currently proposed, portions of the RETT would be allocated to: help first time homebuyers purchase homes throughout the region; provide affordable rental housing to households earning less than 50%MHI; and fund local infrastructure improvements for affordable housing development. This could help the region achieve our 2040 Growth Concept vision; increasing livability by putting housing near jobs, reducing congestion, and providing residents of the region with more affordable homes.

Recommendations for Implementation

Regional/Local Cooperation

1. Employer Sponsored Housing

Employer Based Programs. Local governments, community and business leaders should encourage employers to consider developing homeownership and rental assistance programs for their employees.

2. Real Estate Transfer Tax (RETT)

The RETT provides the best opportunity to raise a relatively large amount of money for housing that could be controlled locally. The concept generated strong support in a focus group H-TAC held to gather additional input from housing and financial specialists not involved in the H-TAC process. A proposal describing the RETT has been circulated among all the local elected officials in the region. Local elected officials and development industry representatives have expressed support for a RETT, with the Realtors providing the only significant objection.

Although implementation of a regional RETT does face some major hurdles, H-TAC concluded that the revenue potential and connection to affordable housing provide reason enough to pursue the RETT as a funding source. The implementation of a RETT would raise a substantial amount of revenue to be directed towards meeting affordable housing production goals identified by H-TAC.

Implementation of a RETT would require several steps prior to funds actually being collected. Most importantly, the Legislature would have to change the law that prohibits local governments from collecting a RETT. The Legislature may also choose to implement a statewide or Metro area RETT dedicated to affordable housing.

There is general consensus that a coalition of local leaders will go to the Legislature to request a change in the current law that prohibits a RETT, or exempt the Metro region from the law, and to allow a ballot measure to implement the RETT in the Metro region to be taken to the voters.

Funds raised through a RETT could be allocated in a variety of ways, but would be focused on achieving the affordable housing production goals set by H-TAC.

3. Use and Administration of a New Regional Housing Fund

A regional housing fund could be allocated in a variety of ways. Key stakeholders should be involved in decisions regarding the use, allocation and administration of a regional housing fund. Strategies identified by other H-TAC subcommittees for the potential use of a regional fund should also be considered. The following general principles are key in developing guidelines for the use and administration of a regional fund.

- ***Flexibility is crucial.*** A regional housing fund should allow for various options in the use of the funds to better meet the regional needs for affordable housing. These needs vary by jurisdiction and also may change over time, thus flexibility in utilizing the dollars is crucial to meeting regional housing needs.
- ***Target regional fund dollars to help meet specific needs.*** Guidelines for the general disbursement of the regional fund dollars should target specific housing needs in the region such as meeting regional affordable housing production goals, aiding first time homebuyers, and helping seniors and people with disabilities find affordable housing.
- ***Final decisions should be delayed until more work has been done.*** Negotiations over how a fund should be allocated and administered should not be conducted until further work has been done to get a regional fund in place.

V. STRATEGIES NOT ADDRESSED BY H-TAC

While H-TAC addressed many strategies in the *Regional Affordable Housing Strategy (RAHS)*, there are numerous others that H-TAC did not have the time to consider. Some of the key strategies not addressed by H-TAC are enumerated here for future efforts at regional or local levels. One strategy addressed separately by the Joint Policy Advisory Committee on Transportation (JPACT) is the linkage of regional transportation funding to affordable housing.

Transportation Related Strategies

Throughout the public involvement process to get citizen comments on the strategies described in this chapter, numerous participants pointed out the important link between transportation and housing. This is especially crucial for affordable rental housing, and housing for special needs populations who may rely on public transport. Some of the strategies and tools identified in this document do consider the connection with transportation, such as the *Parking* and *Elderly and People with Disabilities* strategies. Metro's JPACT also developed a policy linking transportation funding to affordable housing and forwarded its recommendations to the Metro Council in March 1998.

Metro's Transportation Policy Advisory Committee (TPAC) discussed at length the technical and administrative criteria used to allocate regional funds to projects and recommended to JPACT that the administrative criteria should include an affordable housing connection. The policy that was finally adopted states that projects that demonstrate a connection to increasing the region's supply of affordable housing, or which improve the multi-modal transportation service to existing affordable housing, will be flagged for funding consideration. In this way the housing consideration would be in evidence throughout the process of determining transportation projects that will receive regional funding.

Location Efficient Mortgage

The Location Efficient Mortgage[SM] (LEM) is an innovative homeownership initiative that rewards homeowners who choose to live in densely populated urban communities well-served by public transit and with easy access to jobs, shopping, cultural activities, and other destinations. The reward comes in the form of the savings that results from minimizing use of the automobile (called the Location Efficient Value, or LEV) and acknowledging the increased buying power of households living in "location efficient" areas for mortgage qualification. The LEV savings has been calculated by the Center for Neighborhood Technology (CNT), a nonprofit organization based in Chicago, for the cities of Chicago, Seattle, Los Angeles County and the San Francisco Bay Area, under a pilot program sponsored by Fannie Mae in July 1998.

Evaluating the Feasibility of a LEM in the Metro Region

In September 1998, the Oregon Environmental Council (OEC) organized two briefings on the LEM featuring staff from CNT. Several discussions between the Oregon Environmental Council, Metro and CNT resulted in the formation of an ad hoc group (LEM Technical Committee) that provided the financial and resource commitment to conduct a feasibility study on the viability of implementing a LEM program in the Portland metropolitan region. The ad hoc group members included:

- Governor's Community Solutions Team
- Oregon Department of Transportation
- Portland Development Commission
- City of Portland Bureau of Housing and Community Development
- City of Portland Office of Transportation
- Metro
- Oregon Environmental Council

The *Feasibility Study Report: The Potential for a Location Efficient Mortgage Program in the Portland Metropolitan Region* was completed by CNT and the OEC in December 1999. The study determined that there is a clear compatibility between the objectives of the LEM and land use planning at the regional and local levels. A LEM Advisory Committee, consisting of representatives from local governments, TriMet, Governor's office, Oregon Department of Transportation, Oregon Housing and Community Services Department, US Department of Housing and Urban Development and Fannie Mae, also reviewed the study and conclusions.

Results of the Feasibility Study

Based on the analysis of the Metro region's transportation, household and land use data, the CNT, LEM Advisory Committee, and LEM Technical Committee concluded that:

1. The Location Efficient Mortgage^{SM} would be an appropriate and useful mortgage product for some areas within the Metro urban growth boundary.
2. The LEM would increase the borrowing power of low-moderate income households as well as middle income households seeking to live in more densely populated areas of the city that are well served by public transportation.
3. Mortgage borrowers who use the LEM are likely to own fewer vehicles and drive fewer miles per year than their counterparts who live in less accessible areas within the UGB.
4. The LEM's effect on homeownership accessibility would be sufficiently large in terms of geographical distribution and numbers of units to justify the construction of a LEM model and the implementation of a LEM program.
5. The magnitude of the economic advantage created by the LEM would make it attractive to potential homebuyers who are willing to choose a location efficient neighborhood and use public transportation.
6. The LEM has the support of community leaders and organizations. Their support is based on the belief that the LEM would fit into an overall strategy that encourages efficient land use and discourages automobile dependency. LEMs could be used in conjunction with other programs currently in place in the region, such as car sharing programs to further reduce the need for automobile ownership and Transportation Oriented Development (TOD) projects that are aimed at encouraging public transit use by targeting development near transit.
7. Fannie Mae has supported implementation of the LEM in Chicago and other locations. As a result of interviews and participation in the LEM Feasibility Study by Fannie Mae, there is strong reason to believe that Fannie Mae will agree to extend its pilot program to the Portland metropolitan area. The aspect of a LEM pilot project in the Portland metropolitan area that may be most attractive to Fannie Mae is the fact that the LEM helps to achieve other regional growth management and land use planning goals.

Next Steps

Implementation of the LEM would require: a) finding sponsor/s for the development of a detailed GIS based model to be used by lenders in calculating the LEV for individual mortgage customers, including analysis of vehicle cost per household, development of the LEM software package to be used by banks, and design and implementation of a web page for use by potential loan applicants; and b) expansion of the LEM Advisory Committee[5] to help build community support, "roll out" a new mortgage product, and provide liaison with other community organizations.

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[5] Expanded Advisory Committee may include key local agencies, organizations, transit systems, Realtors, housing advocates, homeownership coalitions, lenders, mortgage lenders, and secondary market leaders.

Other Strategies

- *Air Rights.* Air rights are the rights to develop above existing structures. Many parts of the region may be "underbuilt" when taking air rights into consideration. This strategy was identified in the RFP, but H-TAC did not have the time to consider it. As the region continues to grow, this strategy could become increasingly important.
- *Faith Based Housing Initiatives.* The faith-based community has historically been involved in providing affordable housing and other services for people in need. HUD recently formed the Center for Community and Interfaith Partnerships to encourage and facilitate additional participation. A local example of a model effort by a faith-based organization to provide affordable housing is St. Anthony's Village, a mix of affordable and market-rate housing for seniors built by the Catholic Church in Southeast Portland.

Chapter Five: Recommendations for Implementation

I. INTRODUCTION

This *Regional Affordable Housing Strategy* (RAHS) serves as both a short term (5-year) and long-term (to 2017) blueprint to address the need for increased affordable housing production in this region. As such, the RAHS reflects planning efforts that should be expected, encouraged or required of various entities including federal, state, regional and local governments, housing providers, other businesses, community based organizations and citizens.

The H-TAC recommendations described in this chapter do not address all of the affordable housing needs of our region. However, they will help to increase the inventory of affordable housing and improving the livability of this region. This chapter is divided into two parts. The first part describes the broad planning and administrative actions that various entities are encouraged to make as a first step towards implementation of the RAHS. The second part describes specific actions that must taken by Metro and local jurisdictions to enhance current and future activities for affordable housing production in our region.

II. ROLES AND RESPONSIBILITIES

This section includes a description of the roles and responsibilities of Metro, local governments, and other entities that must be undertaken for the RAHS to be implemented successfully.

A. Metro

H-TAC has recommended Metro action in three planning and administrative areas, including technical assistance for local jurisdictions to enhance their implementation efforts, monitoring and measurement of progress made by jurisdictions and the region toward affordable housing production goals, and staffing a housing advisory committee in the future.

1. Technical Assistance

a. Best Practices, Guidelines and Voluntary Model Ordinances

H-TAC, through the analysis and development of the affordable housing tools and strategies described in Chapter 4: Strategies for Increasing and Preserving the Supply of Affordable Housing, identified the need for a best practices manual to assist jurisdictions in implementing strategies that would be most effective locally. The best practices manual could also provide information on the types of partnerships that enhance the production of new and rehabilitated units. H-TAC also identified a need for Metro to develop specific guidelines to encourage regionwide consistency in the development and implementation of strategies. In addition, the Regional Framework Plan (RFP) stated that in making recommendations, H-TAC should consider model ordinances, especially for strategies that could be considered for inclusion in the functional plan such as replacement housing ordinances, density bonus incentives, and voluntary inclusionary housing. H-TAC has recommended the development of a handbook containing best practices, regional guidelines, and voluntary model ordinances for affordable housing as described in Table 13 below.

Table 13. Recommended Content of a "Best Practices Handbook"

Best Practices	Regional Guidelines	Voluntary Model Ordinances
Long-Term or Permanent Affordability	Property Tax Exemption	Density Bonus
Density Bonus Incentives	Local Regulatory Constraints/ Discrepancies in Planning and Zoning Codes/Local Permitting or Approval Process	Voluntary Inclusionary Housing
Inclusionary Housing (voluntary & mandatory)		
Transfer of Development Rights		

b. Coordination through Regional Forums

H-TAC recommends that, in order to reduce the inefficiency created by a lack of better coordination among funding sources[1], Metro take the following actions to help streamline affordable housing funding application requirements, timing, policies and goals of the funders.

- Create a forum for an ongoing policy dialogue that would ensure coordination of local and state policies and goals with state funding requirements in order to meet regional and local affordable housing needs.
- Create a forum for an ongoing dialogue among various entities in the region to enhance local first time homebuyer programs.
- Encourage coordination among local entities and the Oregon Building Codes Division to minimize the cost impact of codes on affordable housing production in the region.

c. Regional Housing Fund

Assist local governments in setting up a regional administrative infrastructure for the administration of a Regional Housing Fund when the fund becomes available.

d. Other Activities related to Current Metro Programs

- Consider the cost of providing infrastructure to land within the urban growth boundary when expanding the boundary since much of the undeveloped land inside the urban growth boundary is located on steep slopes or faces other outside constraints, and thus tends to be more expensive to develop.
- Consider using a cost/benefit analysis to determine the impact of new regulations on local housing activities related to housing production.
- Address storm-water detention/runoff on a watershed basis so as to facilitate local implementation of off-site improvements, where appropriate, to reduce the overall cost of developing housing.
- Consider affordable housing when developing regional natural resource protection programs so as to enhance the implementation of local off-site improvement requirements.
- Review Metro's goals for consistency in its overall regional planning policies and their impact on local planning and zoning activities.
- Consider "voluntary inclusionary housing" requirements when amending the Urban Growth Boundary.
- Provide a legal opinion on Metro's authority on the implementation of strategies recommended for system development charges, permit fees, and off-site improvement requirements.
- Include consideration of job wage levels to the cost of housing in a jurisdiction or subregion when conducting an analysis of jobs/housing balance.

2. Monitoring and Measuring Success

Monitoring and measuring our success is a vital component in the implementation of the RAHS. As stated in Chapter 4: Strategies for Increasing and Preserving the Supply of Affordable Housing, the region currently lacks the vital data necessary to track progress in meeting the affordable housing production goals. In addition, there is a lack of data necessary to track the cost of producing publicly subsidized

[1] Such as local, state and federal governments and other private and public sources.

housing which is essential in developing regional and local affordable housing funding goals, policies and objectives.

H-TAC has recommended that in the implementation of the RAHS, Metro should use the 2000 U.S. Census data to analyze and update the region's affordable housing needs. H-TAC has also determined that during the implementation of the RAHS, Metro should conduct a periodic survey to determine which strategies are working and not working, including why a strategy might work well in one place and not others.

Several questions still remain related to the type of data needed to measure progress towards the affordable housing production goals. The RAHS Implementation Advisory Committee, described in the next section, should assist Metro in identifying the most appropriate data to use in monitoring and measuring the success of the RAHS.

3. RAHS Implementation Advisory Committee

H-TAC recommends that Metro staff a RAHS Implementation Committee that will advise Metro and help to review the effectiveness of the strategies and appropriateness of the regional affordable housing production goal. If necessary, the committee could recommend changes to both the strategies and the affordable housing production goals. The committee could meet on a quarterly basis. The structure and composition of the committee could be the same as H-TAC or downsized.

B. Local Governments

H-TAC has recommended that local governments take action in several ways, a described in Chapter 4: Strategies for Increasing and Preserving the Supply of Affordable Housing. The roles and responsibilities recommended by H-TAC for local jurisdictions can be grouped into three areas: broad actions that can be taken by local jurisdictions (Section 2); strategies recommended for local jurisdiction consideration (Section 3B); and strategies local jurisdictions should use to amend their Comprehensive Plans (Section 3C).

1. Local Government Functions and Opportunities for Cooperation in the Provision of Affordable Housing

While H-TAC has identified a number of tools and strategies that can be used by local governments to encourage the development of affordable housing, the committee recognizes the fact that local governments typically do not build or operate affordable housing. Historically, local governments have deferred housing production to nonprofit, for-profit and housing providers such as the Housing Authorities. However, the local governments do play a key role in facilitating the production and maintenance of affordable housing in their communities. Table 14 describes some of the important roles a local government may play through regulation, funding, and facilitation to impact the provision of affordable housing for local residents.

Table 14. Roles of Local Governments in Housing

Role*	Example of Mechanisms for Providing Housing		
	Land Availability	***Development***	***Maintenance***
Regulation	• Comprehensive plans • Zoning • Opportunities for diverse range of housing • Opportunities for mixed use housing • Rehabilitation and use of existing buildings	• Development standards • Review plans • Building permits and inspections	• Preservation ordinance • Building & Rehabilitation Code enforcement • Enforcement of Federal Fair Housing laws
Funding	• Donate surplus land • Land banking	• Reduce or forgive fees • Loans and Grants • Tax exemptions & abatements	• Home repair and rehabilitation loans and grants • Loans and grants to apartment owners to rehabilitate
Facilitation	• Community Land Trust	• Technical assistance in the funding and development process • Support of Community Development Corporations • Public/private partnerships	• Technical assistance • Coordinate rehabilitation and repair programs with Community Development Corporations • Volunteerism for tree planting and neighborhood beautification programs

*Three major roles that could increase the supply of affordable housing and improve the quality of housing stock.

The mechanisms in Table 14 describe some of the opportunities for cooperation among local governments and private organizations to create and maintain affordable housing. An example of a cooperative effort is the consortium of local government agencies involved in the preparation of the Consolidated Plans required by HUD.

Developing programs to encourage the provision of affordable housing requires an understanding of funding resources available to local governments and as well as the types of tools and strategies that can facilitate the development of affordable units. H-TAC found that many local governments, often due to a lack of staff resources, are not currently utilizing some of the existing funding resources in the region. H-TAC encourages local jurisdictions to dedicate some staff resources towards housing in order to meet local affordable housing needs.

2. Guidelines for Implementation

The intent of many of the strategies described in Chapter 4: Strategies for Increasing and Preserving the Supply of Affordable Housing is to reduce the cost of producing and operating housing, thereby increasing the affordability for the “end user,” or resident. Thus, H-TAC identified a need for local governments to consider developing guidelines for the implementation of the strategies aimed at providing fee waivers or other funding incentives.

State and some local housing funding programs often include a review process to ensure that construction, development and operating costs conform to acceptable benchmarks. However, some local jurisdictions do not currently have a method of ensuring that local funding programs and cost reductions provided by the jurisdiction result in an increase in housing affordability for the “end user.” Jurisdictions are encouraged to develop mechanisms to ensure that incentives are retained in the form of reduced development and operating project costs and passed through to the “end user.” H-TAC recommended that Metro collect information on the cost of producing housing, including amount and type of subsidy, to further enable local jurisdictions to develop guidelines for the implementation of local programs.

3. Regional Housing Fund

Federal and State governments have traditionally provided the bulk of funds for affordable housing. Some local governments, especially urban cities and counties, also allocate local funds towards affordable housing production. As stated in Chapter 2: Affordable Housing Needs, H-TAC has estimated the regional Benchmark Need by 2017 for new and existing households earning less than 50% of regional median household income (MHI) to be 90,479 units. H-TAC has also recommended a 5-year Affordable Housing Production Goal of 9,048 housing units for households earning 50%MHI and less ($26,850).

A regional housing fund would help meet the 5-year Affordable Housing Production Goals and could also help provide first time homeownership opportunities. As stated previously in Chapter 3: Regional Housing Goals, there is approximately $27,538,761[2] available annually for housing production (new and rehabilitated units) in the region. If we rely only on the federal and state resources to meet the 5-year goal, the remaining subsidy needed is approximately $96,672,183. While the other strategies described in Chapter 4: Increasing and Preserving the Supply of Affordable Housing will help to provide additional affordable housing, they will not be sufficient to meet the affordable housing needs of the region. Hence, H-TAC recommends that a regional Real Estate Transfer Tax (RETT) be implemented to provide dollars for a regional housing fund that could be used to leverage other affordable housing resources.

The RETT provides the best opportunity to raise a relatively large amount of money for housing that could be managed by the region. The concept generated strong support in a focus group H-TAC held to gather additional input from housing and financial specialists not involved in the H-TAC process. A proposal describing the RETT has been circulated among all the local elected officials in the region. Local elected officials and development industry representatives have expressed support for a RETT, with the Realtors Association providing the only significant objection.

As currently proposed, funds raised from a RETT would be allocated to: a) provide new and rehabilitated housing units to households earning less than 50%MHI; b) help lower income first time homebuyers purchase homes throughout the region ; and c) fund local infrastructure improvements for affordable housing development. A RETT would ensure that part of the benefit of increased land and housing values is dedicated to affordable housing. H-TAC has proposed exempting the tax on all homes sold for less than $120,000. Two potential taxation rates are shown 0.50% and 0.75% in Appendix C, as well as potential revenues in both a strong and weak economy. Potential revenues range from $4.8 to $40.6 million per year.

Local governments have a major role to play in the implementation of a RETT. The main actions that must be taken include convincing the Oregon Legislature to: 1) exempt the Metro region from the current law that prohibits local governments from collecting a RETT and allow a ballot measure to implement the RETT in the Metro region, or 2) enact a statewide or Metro area RETT. Local governments also have a major role to play in the use and administration of a new regional housing fund. H-TAC recommends that negotiations over how the fund should be allocated and administered should not be conducted until further work has been done to get a regional fund in place (more detail on this recommendation is in Appendix C).

4. Consolidated Plans

H-TAC recommends that entitlement jurisdictions currently working to develop Consolidated Plans include a section in each Consolidated Plan that describes regional efforts to address housing issues. Efforts should also be made to discuss further coordination in the future.

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[2] Federal ($9,684,600) and State ($17,854,161).

5. Monitoring and Measuring Success

A key factor in determining the success of the RAHS is monitoring and measuring the region's progress. H-TAC therefore recommends that local governments help in the data collection process by providing Metro pertinent information such as:

- Publicly assisted rental units
  - By size, location, income group
  - Number for seniors, people with disabilities, etc.
  - Existing
  - Newly produced
  - Accessibility of newly produced units
  - Rehab or new construction
  - Cost of production by construction type, size (# of bedrooms) and location
- Completing a periodic survey to assess success of specific strategies

C. Other Entities

1. Federal Government

Historically the federal government has taken the lead in providing funds for the provision of affordable housing. However, long term federal commitments for lower income housing are declining introducing uncertainties for tenants, owners, communities and lenders.

Consistent, year-to-year subsidies provide certainty. If affordable housing is based on federal budgets, investors, residents, and communities need certainty in HUD appropriations. The absence of that certainty increases anxiety and costs as participants factor in additional risks to the cost of participation in HUD programs, leading, for example, to the exodus of owners in the Section 8 project based program.

H-TAC therefore recommends that the region should encourage Congress through the Oregon Congressional delegation to:

- Expand the amount of Low Income Housing Tax Credits (LIHTC) available for affordable housing production;
- Increase the amount of Section 8 Vouchers available to the Portland metropolitan region (currently there are close to 8,000 vouchers in use in the region);
- Support changes with HUD and other Federal programs to encourage the development of affordable housing as follows:
  - *Change the length of the contract.* Federal budget accounting should be changed to permit longer-term contracts for all HUD rental assistance, even in the absence of an increase in the total units, which should also be supported. This would give greater parity to programs that serve the very lowest income tenants (other federally funded programs providing benefits for higher income tenants than rental assistance programs – such as the LIHTC program).
  - *Allow more discretion to local housing authorities to use project-based Section 8 vouchers.* Administrative rules should be changed to permit simple project basing of vouchers, subject to a 15% cap of the total units. HUD estimates that this would support an estimated $90-120 million one time acquisition or construction of affordable and available units.
  - *All publicly assisted projects should accept vouchers.* Encourage elected leaders in the Metro region to execute an intergovernmental agreement to require that all publicly assisted projects accept voucher tenants using the same screening criteria as other tenants.

2. State Government

The Oregon Housing and Community Services Department (OHCSD) allocates Low Income Housing Tax Credits (LIHTC) on a competitive basis to housing providers throughout the state. Thus, the state sets funding priorities and criteria for funding applications. The state also has created housing funding programs, the Oregon Housing Trust Fund and the Oregon Affordable Housing Tax Credit (OAHTC) program, used to generate homeownership and multifamily rental housing opportunities. H-TAC recommends that OHCSD work to increase funds available for affordable housing production and rehabilitation. H-TAC also recommends that the state work with housing providers and local governments to ensure that state funding requirements are coordinated with local priorities and housing needs. The state should also work towards joint monitoring of projects and streamlining application processes.

The state also plays a key role in the affordability of housing by implementing building codes. H-TAC recommends that the Oregon Department of Consumer and Business Services, Building Codes Division consider the following recommendations:

1. Analyze current building codes. A cost/benefit analysis of the existing building codes should be conducted that accounts for the high priority placed on providing affordable housing to residents of the state. Amendments to State and local buildings codes should be based on cost/benefit of implementing additional codes, weighing the safety issues with housing affordability.
2. Evaluate the effectiveness of SB 512 and 587 and implement appropriate standardized plan review and permit processes statewide. Increase the use of technology and training to effectively implement more consistent code interpretations.
3. Compare the current Oregon code requirements for rehabilitation of existing buildings to models used in New Jersey and elsewhere, and develop appropriate code changes for consideration by the Building Codes Division and appropriate advisory committees and boards. This could include developing a separate set of codes for rehabilitation of older buildings, as was done in New Jersey.
4. Improve partnership among state and local building officials, builders and other trade groups involved in housing production with the goal of improving regulatory activities to enhance affordable housing production and improvements.
5. Consider setting up an independent review panel to consider the cost impact of new and existing codes.
6. Strengthen the current educational system for code related matters that provides opportunities for all (many community colleges currently offer related course).
7. Develop a checklist of applicable code requirements for specific categories of work to be used by developers and other contractors. This would help to facilitate the permit and code approval process.

3. Housing Providers

Housing providers in the region have a major role to play in meeting the 5-year affordable housing production goal (9,048 units) explained in detail in Chapter 3. Inasmuch as the for profit developers produce housing for all income groups, some of them produce affordable housing. Nonprofit developers have traditionally produced only affordable housing. Currently there are about 30 nonprofit community development corporations in the region.

With the reduction in federal funds for the construction of new public housing units through the public housing authorities, nonprofit community development corporations have stepped in to meet local needs for the provision of lower income housing construction. Nonprofits are generally community based and form to meet the needs of specific geographic areas or specific groups, such as senior citizens, persons with disabilities, or large families.

H-TAC recommends that nonprofit, for-profit and other housing providers and developers consider the following suggestions:

1. Efficiencies in the management and rental of affordable housing can often be found with economies of scale. Cooperation among housing providers in managing affordable housing developments should be considered.

2. Community Development Corporations should consider seeking and retaining a variety of funding sources for operating support to keep housing costs down.
3. Consider the overlapping roles and missions of housing providers in certain areas of the region, and work towards collaboration and cooperation to better serve those in need of affordable housing.

4. Other Organizations

Private Funders

Financial institutions play a key role in the production of affordable housing. Housing cannot be built without the loans provided by the banking industry. However, many affordable housing developments are financed with resources from a variety of sources. Often, each funding source will have a different application package with sometimes opposing requirements. Lenders could work together to coordinate funding applications as well as ensuring that project requirements are not inconsistent with local priorities and goals. An example is the requirement for a certain number of parking spaces per unit, even when the target population may not even be able to use cars (elderly, people with disabilities, etc.). Lenders should also support funding projects with pro formas that allow good design and management.

Community Reinvestment Act: Under the Federal Community Reinvestment Act (CRA), bank regulators evaluate a bank's record of helping to meet the credit needs of their communities, consistent with safe and sound operations. Included in a community's credit needs are loans for affordable housing. Bank's make direct construction loans, permanent loans, investments and grants to affordable housing projects which helps them achieve a positive CRA rating. Also, as a participant in the Network for Oregon Affordable Housing (NOAH), banks can participate in long-term permanent loans on affordable housing projects throughout the state.

Enterprise Foundation Regional Acquisition Fund: The Portland Regional Land Banking Program is an excellent example of a partnership between private funders and public sector that could help the region achieve the affordable housing production goal. The land banking program is a partnership between The Enterprise Foundation, Housing Development Center, City of Portland and other local jurisdictions. The purpose of the fund is to acquire and hold development sites throughout the region, preserving the opportunity for the creation of community-based developments. The fund may also provide an opportunity to the public sector to leverage private sector resources. The fund will function as a revolving account, capitalized with $20 million from The Enterprise Foundation, providing local jurisdictions the opportunity to access the fund by providing loan guarantees to purchase property.

Training Program: A training program could be developed by a partnership of local jurisdictions, nonprofit and for profit housing developers, and lenders to enable them to increase efficiency in producing affordable units. Possible components of the training program include:

- *Management of Program*. The program could be run through an existing organization that provides technical assistance for affordable housing development, such as the Neighborhood Partnership Fund.
- *Annual Training Sessions.* Annual 1-2 day training sessions focused on grant writing, resource management, effective tools and providing opportunities for jurisdictional coordination.
- *Internet Resource Site.* Add to the Enterprise Foundation web site, to provide information from annual training sessions as well as resources, best practices, and grant deadlines.
- *E-mail List Serve.* Compile an email list serve of those interested in receiving updates on funding opportunities, and to serve as a forum for issues related to increasing the supply of affordable housing in the region. The Enterprise Foundation website is a good start (*www.enterprisefoundation.org*)
- *Expanded Scope.* Annual training sessions and other resources could be focused specifically on funding opportunities or expanded to provide a forum for dispersing information on best practices for cost reduction and land use strategies.

Large Employers/Businesses

Housing is a pivotal issue for employees. The availability of convenient, affordable housing enhances a company's ability to attract, retain, and reward its workforce. As found in a national survey by the Work/Life Institute[3], companies offering housing assistance reported an improved company image, higher employee morale and better employee retention. Employers are also able to use housing assistance as a recruiting tool for new employees, and generally the benefits of providing housing assistance outweigh the costs or are cost neutral.

Large employers in the region are encouraged to consider setting up assisted housing programs for their employees, such as the Siltronic Home Ownership Program (SHOP), the Legacy Emanuel Neighborhood Home Ownership Program (ENHOP), the Portland School District "Homeroom" Program, and the Summit at Government Camp Housing Project for the three nearby ski resorts (Timberline, Mt. Hood Meadows and Ski Bowl). (More information on these programs is in Chapter 4: Strategies for Increasing and Preserving the Supply of Affordable Housing and Appendix C.)

Tri-Met

Increasing, reducing, or removing public transport service from specific routes has a large impact on the development of affordable housing in certain neighborhoods. Thus, H-TAC recommends that Tri-Met take into consideration these actions that would minimize the impact of its actions on the development of affordable housing.

Faith Based Organizations

Opportunities for partnership between faith-based organizations and other entities, including the public sector should be explored, encouraged and supported. Faith-based organizations can support the development of affordable housing in a variety of ways, including:

- *Providing land.* Many faith-based organizations own land that is not currently being fully utilized. This land can be used to provide housing, donate land for other housing providers to build on, or provided through a long term lease on the land. An analysis of vacant tax exempt land in the Metro Regional Land Information System (RLIS) shows that faith-based organizations own approximately 700 acres of undeveloped land in the Metro region. (See *Land Cost and Availability Strategy* in Appendix C).
- *Providing money.* Faith-based organizations can provide money to other housing providers through the charitable donations of their congregations.
- *Providing services.* Some faith-based organizations offer social services that would further help to integrate affordable housing residents into a larger community.
- *Education.* Faith-based organizations have the opportunity to influence their congregations and can raise the awareness of the importance of providing safe, decent, affordable housing to families and others in need. For example, faith-based organizations can encourage landlords to accept Section 8 vouchers.
- *Shared housing.* Faith-based organizations can develop programs to aid those who own homes but are unable to continue maintaining them as well as providing those in need with a home. Shared housing is often used to connect elderly people with able-bodied people in need of a home. The arrangement benefits both parties, especially with the faith-based organization providing support.

The US Department of Housing and Urban Development (HUD) has been involved in efforts relating to community and faith-based groups. HUD acknowledges that many of its current programs grew out of the visions and activities of community and faith-based groups. In 1997, HUD established the Center for Community and Interfaith Partnership. The mission of the center is to focus, integrate, and intensify HUD's effort in working with interfaith organizations and other community-based organizations.

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[3] Work/Life Institute Survey, November 1998 (preliminary results)

Several faith based organization in the region are currently involved in providing affordable housing and other services to low income residents and persons with disabilities. For example, the St. Anthony's Village Enterprise based in southeast Portland has successfully developed an award-winning residential community (127 housing units and services at various levels) for seniors and persons with disabilities. The village offers a combination of assisted living facilities, including units specifically designed for seniors suffering from Alzheimer's disease. The combination of housing and other services may eliminate some of the psychological and physical consequences associated with seniors placed in a mdedical-model nursing home or an incomplete care center, which could save as much as $1 million per year in Medicaid costs.[4]

Other faith-based housing partnerships include Mercy Housing, Downtown Community Housing, Inc., St. Vincent de Paul, Catholic Charities, Episcopal Senior Living Services, Inc., Lutheran Family Services, programs at Ecumenical Ministries of Oregon and other groups and churches.

Citizens

Assist in the following ways:

- Support affordable housing production by participating in neighborhood organization meeting and providing comments on siting projects, design and property management methods; and
- Volunteer with non-profit developers in programs such clean-up days, Paint-a-Thons, building homes, donating money, special events and working on boards and committees.

[4] "St. Anthony Starts Pioneering Project." *Affordable Housing Finance,* April 1999. Pages 38-39.

III. RECOMMENDATIONS FOR STRATEGIES TO BE INCLUDED IN METRO'S REGIONAL FRAMEWORK PLAN AND/OR URBAN GROWTH MANAGEMENT FUNCTIONAL PLAN

A. Introduction

Metro implements the region's vision for future growth through two main planning documents: the Regional Framework Plan (RFP) and the Urban Growth Management Functional Plan (Functional Plan) which implements RFP policies, including the 2040 Growth Concept.

The RFP contains specific policies to direct the region's future growth. It brings together the contents of previous regional policies to create an integrated land-use, transportation and greenspaces framework. The plan is intended to ensure a coordinated, consistent approach to issues of regional significance. Examples of RFP policies include those that established H-TAC and gave the committee the charge of developing this Regional Affordable Housing Strategy (RAHS).

The Functional Plan is a set of regional requirements and recommendations, adopted in November 1996, for cities and counties to implement. It begins to implement the Region 2040 Growth Concept[5]. The Functional Plan addresses issues including projected housing and job growth, parking management, water quality and a regional road system.

An example of a requirement in the Functional Plan is Title 1 – Requirements for Housing and Employment Accommodation. The intent of Title 1 is to require local jurisdictions to change their zoning to accommodate development at higher density in communities supported by the transportation system. As a matter of regional policy, each city and county must contribute to increasing the development capacity of land within the urban growth boundary. Title 1 includes a requirement that plans allow accessory dwelling units – one form of affordable housing. Title 1 also includes a requirement that local plans establish minimum density requirements which assure that planned densities are built. This supports smaller, more affordable units in residential zones. H-TAC is now recommending additional strategies in the RAHS that could be used to increase the inventory of affordable housing in the region.

H-TAC considered making a recommendation to the Metro Council as to where the strategies described in this section should be placed, in the RFP and/or Functional Plan. However, H-TAC members concluded that the Metro Council should make the final determination as to the most appropriate places to make amendments in order to carry out the RAHS to increase the supply of affordable housing in the region.

H-TAC evaluated many strategies and tools in the development of the RAHS. Through much analysis and study, H-TAC concluded that many of the strategies should be recommended for local jurisdictions to *consider* in the development of local strategies to meet the affordable housing need. <u>H-TAC also concluded that local jurisdictions should be required to amend their local Comprehensive Plans to comply with broad regional affordable housing land use policies as a means of meeting the affordable housing need more consistently throughout the region.</u> This section describes H-TAC's recommendations for implementation of the RAHS.

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[5] Metro's 2040 Growth Concept is a regional land-use policy adopted by the Metro Council in December 1995 that: a) encourages compact growth development near transit to reduce land consumption; b) preserves existing neighborhoods; c) identifies rural areas that will not be added to the urban growth boundary; d) sets goals for permanent open space within the urban growth boundary; and e) recognizes that cooperation with neighboring cities – Canby, Sandy, North Plans – is necessary to address common issues.

B. Voluntary Actions by Metro and Local Jurisdictions

H-TAC recommends that the Metro Council and local jurisdictions adopt the Affordable Housing Production Goal as a guideline and appropriate non-land use tools and strategies as essential policies that enable the region to increase the regional and local inventory of affordable housing. As stated previously in Chapter 2, a key component of H-TAC's charge was to develop fair share targets for jurisdictions in the Metro region reflecting the current and future affordable housing needs of the region. While addressing other issues related affordable housing needs of the region, some terminology was changed as a result of much discussion. The most important change in terminology was to replace the phrase "fair share targets" with "affordable housing production goals," as described below:

CHANGE OF TERM **Affordable Housing Production Goals (Fair Share Targets)**
H-TAC decided to replace the term "fair share targets" with "affordable housing production goals" because the latter conveys properly the region's cooperative effort towards achieving livable communities within our region.

1. Metro Adoption of Affordable Housing Production Goals

The Metro Council should adopt the Affordable Housing Production Goal (Table 15) to serve as a guide for local jurisdictions and the region to measure progress toward meeting the affordable housing needs of the region. These initial goals are established with the understanding that a new regional funding source or other financial resources are necessary to attain significantly increased progress on the inventory of housing affordable for households with incomes below 30% and 50% of median household income. This adoption of Table 15 as a guideline would be followed by a required assessment of the region's progress as described in Section III.C.5 of this chapter.

2. Local Jurisdictions' Adoption of Affordable Housing Production Goals

a) Local jurisdictions should adopt the Affordable Housing Production Goal (Table 15) to serve as a guide to measure progress toward meeting the affordable housing needs of households with incomes between 0% and 50%MHI in the jurisdictions and throughout the region. This income group comprises the greatest unmet need. Jurisdictions should prioritize the use of the tools and strategies recommended in the RAHS to address this most acute need.
b) Local jurisdictions are also encouraged to continue their efforts to promote housing affordable to households with incomes 50% to 80% and 80% to 120% of median household income.

Table 15 on the following page shows the affordable housing production goals of the region and its jurisdictions. As discussed in Chapter 2: Affordable Housing Needs, the Five-Year Affordable Housing Production Goal is 10% of the Benchmark Need.

Table 15. Five-Year Affordable Housing Production Goal Allocated by Jurisdiction[1,2]
The Five-Year Affordable Housing Production Goal is 10% of the Benchmark Need.
The Benchmark Need was determined for each jurisdiction based on 2017 population projections, the regional distribution of household incomes, and credits for the existing supply of housing affordable to households earning 50%MHI and below.

Jurisdiction	Benchmark Need – 90,479 (2017)[3]		Percent of Benchmark Need by Income Group		Five Year Affordable Housing Production Goal – 9,048[4]		
	Benchmark need	*Percent of benchmark need*	*less than 30%*	*30-50%*	*less than 30%*	*30-50%*	*Totals**
Beaverton	6,567	7.24%	65%	35%	**427**	**229**	**655**
Cornelius	497	0.55%	80%	20%	**40**	**10**	**50**
Durham	92	0.10%	61%	39%	**6**	**4**	**9**
Fairview	734	0.81%	58%	42%	**42**	**31**	**73**
Forest Grove	645	0.71%	85%	15%	**55**	**10**	**64**
Gladstone	532	0.59%	82%	18%	**43**	**10**	**53**
Gresham	5,580	6.15%	82%	18%	**454**	**102**	**557**
Happy Valley	573	0.63%	51%	49%	**29**	**28**	**57**
Hillsboro	5,148	5.68%	59%	41%	**302**	**211**	**514**
Johnson City	0	0.00%	0%	0%	**0**	**0**	**0**
King City	51	0.06%	91%	9%	**5**	**0**	**5**
Lake Oswego	3,392	3.74%	55%	45%	**185**	**154**	**338**
Maywood Park	0	0.00%	100%	0%	**0**	**0**	**0**
Milwaukie	1,019	1.12%	100%	0%	**102**	**0**	**102**
Oregon City	1,585	1.75%	78%	22%	**123**	**35**	**158**
Portland	17,948	19.79%	100%	0%	**1,791**	**0**	**1,791**
Rivergrove	27	0.03%	52%	48%	**1**	**1**	**3**
Sherwood	1,231	1.36%	54%	46%	**67**	**56**	**123**
Tigard	3,205	3.53%	68%	32%	**216**	**103**	**320**
Troutdale	1,310	1.44%	57%	43%	**75**	**56**	**131**
Tualatin	1,904	2.10%	63%	37%	**120**	**69**	**190**
West Linn	1,700	1.87%	58%	42%	**98**	**71**	**170**
Wilsonville	1,797	1.98%	56%	44%	**100**	**80**	**179**
Wood Village	175	0.19%	93%	7%	**16**	**1**	**17**
Clackamas County Uninc.	11,053	12.19%	66%	34%	**729**	**374**	**1,103**
Multnomah County Uninc.	1,349	1.49%	60%	40%	**81**	**53**	**135**
Washington County Uninc.	22,582	24.90%	58%	42%	**1,312**	**940**	**2,253**
Totals	**90,695[5]**	**100.00%**	**72%**	**28%**	**6,420**	**2,628**	**9,048**

[1]Further explanation of calculations in this table may be found in Chapter 3: Regional Housing Goals. *H-TAC recommends that these goals be recalculated when 2000 Census data become available.*
[2]The Affordable Housing Production Goal is intended to be a guideline to local jurisdictions, and is voluntary.
[3]The Benchmark Need (90,479 units) includes a need at 30%MHI that is cancelled out by a lack of need (or surplus) in Maywood Park at 30-50%MHI; while in Johnson City there is a lack of need in both of the lower income categories. It is important to note the fact that Johnson City consists of a mobile home park on one tax lot, which impacts the data.
[4]Calculated by multiplying the "percent of benchmark need" by the Five-Year Affordable Housing Production Goal of 9,048 units. The result is multiplied by the "percent of benchmark need by income group" to get the goal by income group for each jurisdiction.
[5]The total shown here (66,000 for less than 30% and 26,343 for 30-50%) is based on excluding the projected "surplus" of affordable housing at less than 30%MHI for Johnson City, and 30-50%MHI in Johnson City, Maywood Park, Milwaukie, and Portland.
*Totals may not add up to due rounding.

3. Local Jurisdictions' Adoption of Tools and Strategies

Local jurisdictions should analyze the full array of tools proposed in this RAHS, and adopt and apply local tools and strategies to promote the development of housing affordable to households at 50%MHI and below, which is the regionally identified greatest need. Local jurisdictions are encouraged to continue their efforts to promote housing affordable to households with incomes 50% to 80% and 80% to 120% of the regional median household income.

a. Voluntary Non-Land Use Tools and Strategies

i) The Metro Council should encourage local jurisdictions to analyze, adopt and apply locally-appropriate non-land use tools as a means to make progress toward the Affordable Housing Production Goal. Non-land use tools and strategies that could be considered by local jurisdictions are listed in Chapter Four: Strategies for Increasing and Preserving the Supply of Affordable Housing.

ii) The Metro Council should encourage local jurisdictions to report on the analysis, adoption and application of non-land use tools at the same intervals that they are reporting on land-use tools (at 12, 24 and 36 months after the adoption of the RAHS).

b. Voluntary Land Use Tools and Strategies

H-TAC recommends that the Metro Council and local jurisdictions adopt appropriate land use tools and strategies to increase the inventory of affordable housing throughout the region. The Metro Council should encourage local jurisdictions to consider the implementation of the following affordable housing land use tools shown in Table 16.

Table 16. Voluntary Land Use Tools and Strategies

Replacement Housing	• Consider policies to prevent the loss of affordable housing through demolition in urban renewal areas by implementing a replacement housing ordinance specific to urban renewal zones
Inclusionary Housing	• When creating urban renewal districts that include housing, include voluntary inclusionary housing requirements where appropriate

C. Required Actions by Metro and Local Jurisdictions

Metro's authority lies in land use planning matters that local jurisdictions can implement through comprehensive plans and zoning regulations. While Metro may mandate that local plans and regulations comply with specific Functional Plan performance standards achievable through land use tools, the intent of H-TAC here is for the RAHS to provide a choice of tools available to local governments to increase the local supply of affordable housing consistent with their respective Affordable Housing Production Goals.

H-TAC recommends a process which requires local comprehensive plans to implement affordable housing land use policies, and in the process *consider the use of* several other land use tools. H-TAC also recommends establishing a specific timeframe for these actions to track progress and evaluate the success of the RAHS.

1. Metro Implementation of Land Use Tools and Strategies

The Metro Council shall revise the Regional Framework Plan and the Urban Growth Management Functional Plan for consistency with each other and with the RAHS recommendations below. The Metro Council shall amend the Regional Framework Plan and/or Urban Growth Management Functional Plan to adopt the following land use tool to increase the supply of affordable housing.

Table 17. Metro Implementation of Land Use Tools and Strategies

Inclusionary Housing/UGB Considerations	Consider voluntary inclusionary housing requirements when amending the UGB *(See Appendix B, Inclusionary Housing Strategy for more information.)*

2. Affordable Housing Land Use Policies

Metro Council shall amend the Regional Framework Plan and/or Urban Growth Management Functional Plan to require that each local Comprehensive Plan comply with the following regional affordable housing land use policies[6] no later than 24 months after the adoption of the *Regional Affordable Housing Strategy* (RAHS):

- Local comprehensive plans will include strategies resulting in the development of a diverse range of housing types within their jurisdictional boundaries.
- Cities and counties shall prescribe within their plans actions and implementation measures designed to maintain the existing supply of affordable housing as well as increase the opportunities for new dispersed affordable housing within their boundaries.
- Cities and counties shall prescribe plan policies, actions, and implementation measures aimed at increasing opportunities for households of all income levels to live within their individual jurisdictions in affordable housing.

The adopted Functional Plan (Title 1) currently requires certain strategies that may result in additional affordable housing opportunities, such as creating minimum density requirements and allowing accessory dwelling units. The regional affordable housing land use policies should be carried out in the context of other regional policies adopted in the RFP and Functional Plan designed to create livable communities, by supporting the regional transportation system, town centers and corridors, and helping to create a jobs housing balance.

3. Local Jurisdiction Implementation of Land Use Tools and Strategies

Metro Council shall amend the Regional Framework Plan and/or Urban Growth Management Functional Plan to require local government consideration of use of the following affordable housing land use tools to carry out its Comprehensive Plan affordable housing policies. Local government consideration shall include identification of affordable housing land use tools currently in use and additional affordable housing land use tools, including but not limited to the tools in Table 18 (below), to be implemented in order to comply with the affordable housing land use policies.

[6] Recommended by H-TAC for Metro Council adoption. These policies are based on Metro's adopted policies in the Regional Framework Plan, the RUGGOs, and the Urban Growth Management Functional Plan, as well as H-TAC adopted Affordable Housing Implementation Objectives.

Table 18. Land Use Tools and Strategies for Local Jurisdiction Implementation

Density Bonus	1. A density bonus is an incentive to facilitate the development of affordable housing. Local jurisdictions could consider tying the amount of bonus to the targeted income group to encourage the development of affordable units to meet affordable housing production goals.
Replacement Housing	1. No-Net-Loss housing policies for local jurisdictional review of requested quasi-judicial Comprehensive Plan Map amendments with approval criteria that would require the replacement of existing housing that would be lost through the Plan Map amendment.
Inclusionary Housing	1. Implement voluntary inclusionary housing programs tied to the provision of incentives (Density Bonus, etc.) 2. Develop housing design requirements that tend to result in affordable housing (single-car garages, max sq. footage, etc.) 3. Consider impacts on affordable housing as a criterion for any legislative or quasi-judicial zone change
Transfer of Development Rights	1. Implement TDR programs tailored to the specific conditions of a local jurisdiction 2. Implement TDR programs in Main Street or Town Center areas that involve upzoning
Elderly and People with Disabilities	1. Examine zoning codes for conflicts in meeting locational needs of these populations
Local Regulatory Constraints; Discrepancies in Planning and Zoning Codes; Local Permitting or Approval Process	1. Revise the permitting process (conditional use permits, etc.) 2. Review development and design standards for impact on affordable housing 3. Consider using a cost/benefit analysis to determine impact of new regulations on housing production 4. Regularly review existing codes for usefulness and conflicts 5. Reduce number of land use appeal opportunities 6. Allow fast tracking of affordable housing
Parking	1. Review parking requirements to ensure they meet the needs of residents of all types of housing 2. Coordinate strategies with developers, transportation planners and other regional efforts so as to reduce the cost of providing parking in affordable housing developments

4. Reporting

Metro Council shall amend the Regional Framework Plan or Urban Growth Management Functional Plan to require a reporting process for local jurisdictions' amendments to their Comprehensive Plan and consideration of land use-related affordable housing tools and strategies.

a. No later than 12 months after the adoption of the RAHS Plan, local jurisdictions shall submit a brief status report to the region through Metro as to where each jurisdiction stands in their Comprehensive Plan analysis. This analysis shall include an identification of affordable housing land use tools currently in use and consideration of the land use tools in Table 18. Based on these reports, Metro Council and MPAC shall review progress and provide feedback to the local jurisdictions.

b. Local jurisdictions shall provide a report to the region through Metro on the status of their Comprehensive Plan amendments and adoption of land use-related affordable housing tools 24 months after the adoption of the RAHS.

c. No later than 36 months after adoption of the RAHS Plan (2003), each local jurisdiction shall formally report to the region, through Metro, on its amendments to its Comprehensive Plan since consideration of the tools in Table 18, the land use tools and strategies adopted, the outcomes of those strategies, progress toward Affordable Housing Production Goals (Table 15), and any other affordable housing developed and expected within each jurisdiction.

5. 2003 Assessment

Metro Council shall, in 2003, formally assess the region's progress toward achieving the Affordable Housing Production Goals, review new 2000 census data, examine federal and state legislative changes, review the availability of a regional funding source, re-analyze affordable housing need and decide whether any changes are warranted to the process, tools and strategies, funding plans or goals to ensure that significant progress is made toward providing affordable housing for those most in need.

Nothing in this section or chapter of the RAHS should be construed to prohibit joint coordination or action by two or more jurisdictions to meet their combined affordable housing production goals.

Glossary

Accessory Dwelling Unit
An accessory dwelling unit is a self-contained dwelling unit with a separate entrance and kitchen that functions independently from the primary dwelling. Accessory dwelling units are often seen as a form of affordable housing, as the units are typically small and therefore less expensive. These units also help to create more infill and density within the urban area.

Affordable Housing
As defined by the U.S. Department of Housing and Urban Development, a household should pay no more than 30 percent of monthly income for housing.

Affordable Housing Distribution Method
A formula and methodology for determining need and distributing affordable housing, and results in a determination of the region's overall need for affordable housing.

Affordable Housing Benchmark Need
Estimate of the total need for affordable housing in the Metro region. The formula redistributes households based on the percent of households in the region in H-TAC defined income groups for 1995, when the most recent data is available. The Benchmark Need may understate the actual affordable housing need because the method assumes that households will purchase or rent housing commensurate with their income level. Units that appear affordable may not necessarily be available to low-income households as households at higher income levels may occupy them.

Affordable Housing Goal (Fair Share Targets/Strategy)
As defined by the RUGGOs: "Each city and county within the region working with Metro to establish local and regional policies that will provide the opportunity within each jurisdiction for accommodating a portion of the region's need for affordable housing." As stated in the Regional Framework Plan (RFP), specific numerical targets of additional affordable housing units for development by each jurisdiction that allow the region to reach its affordable housing goal.

Affordable Housing Production Goals
H-TAC decided to replace the term "fair share targets" with "affordable housing production goals" because the latter conveys properly the region's cooperative effort towards achieving livable communities. Affordable housing production goals were developed by first estimating the total need (or "benchmark") for affordable housing. H-TAC estimates that if all households with incomes at or below 50% MHI paid no more than 30% of income for housing through 2017 there will be a need for 90,479 affordable units in the region.

Affordability Requirements
Affordability requirements are generally included through funding mechanisms in the development and construction of affordable housing, typically they place restrictions on the rent for a specified time period. The length of the requirement can range from 5 to 60 years.

American Housing Survey
The American Housing Survey gives data on apartments, single-family homes, mobile homes, vacant homes, family composition, income, housing and neighborhood quality, housing costs, equipment, fuels, size of housing unit, and recent movers. National data are collected every other year, from a fixed sample of about 50,000 homes, plus new construction each year. The survey started in 1973, and has had the same sample since 1985, providing a picture of the changes in homes and households over the years. In

some metropolitan areas additional samples are taken every 4-6 years, to measure local conditions. The surveys are conducted in person and on telephone by the Bureau of the Census for the U.S. Department of Housing and Urban Development.

Assisted Housing
Housing where subsidies are provided in order to make costs affordable for specific income groups, typically those making less than 80 percent of the median household income.

Best Practices
A best practice must be replicable in other areas of the country, region, or local jurisdiction and generate a significant and demonstrable positive impact on those being served or managed.

Community Land Trusts
A community land trust (CLT) is a democratically controlled community based, nonprofit organization established for the purpose of removing land permanently from the speculative market and maintaining it as a community resource. The CLT serves as a trustee or steward in perpetuity of the land it controls. CLT property is separated into two components: the land and the buildings on it. Individuals, families, cooperatives, or other legal entities may own the buildings and enter into long-term ground leases for the use of the land. When a leaseholder moves they may retain the value of their initial investment, any improvements made during their tenure, and some portion of any additional equity created by changes in the market, but the equity they may realize is limited by a resale formula. The rest of the equity remains with the land to preserve housing affordability for future residents. The CLT retains the first option to purchase and resell the building.

Consolidated Plan
To receive funds from HUD, jurisdictions must produce a Consolidated plan every five years. The Consolidated Plan outlines the housing needs and priorities of the entitlement community and identifies areas most in need of funding for the five-year cycle. Jurisdictions within one county can cooperate to complete one Consolidated Plan, and dollars for communities with a population less than 50,000 are channeled through the county.

Density
The permitted number of dwelling units per gross area of land to be developed pursuant to State and local regulations.

Downzoning
Changing the zoning of a residential parcel to allow fewer units per acre.

Fair Market Rent
Fair Market Rents (FMRs) established by the Department of Housing and Urban Development (HUD) for FY 1998. HUD uses the FMRs to determine the eligibility of rental housing units for the Section 8 Housing Assistance Payments program. FMRs are gross rent estimates. They include shelter rent plus the cost of all utilities, except telephones. The level at which FMRs are set is expressed as a percentile point within the rent distribution of rental housing units. The current definition HUD uses is the 40th percentile rent paid by recent movers into modest but adequate existing, unsubsidized units -- that is, the dollar amount below which 40% of these units were are rented in the last 15 months.

Floor Area Ratio
Floor area ratio is a way to measure how much of a piece of land is taken up with building. In other words, it refers to the ratio of building area to the lot size. For example, if a building is 15 stories and covers an entire lot, the FAR would be 15:1.

Housing Authority
Non-Federal entities that administer low-income housing programs. Housing Authorities are not part of HUD, although they may receive HUD funding for some of their programs to assist them as they manage programs that assist low or very-low income individuals.

Housing Wage
The amount a worker would have to earn in order to work 40 hours per week and afford a one or two bedroom apartment (depending on household size) at the fair market rent. In this region the housing wage is $10-13 per hour.

Local Improvement District (LID)
Local Improvement Districts (LIDs) are a means of assisting property owners in financing needed capital improvements through the formation of special assessment districts. Special assessment districts allow improvements to be financed and paid for over a period of time through assessments on the benefiting properties.

Low Income Housing Tax Credits
Created by the Tax Reform Act of 1986, the LIHTC program gives States the equivalent of more than $3 billion in annual budget authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households.

Median Household Income (MHI)
Median household income is the median annual income for households. The median income is the dollar amount which divides the income distribution into two equal groups- half with income above the median and half with income below the median.

Metro Region
The 24 cities and urbanized portions of Clackamas, Multnomah and Washington counties.

NIMBY
NIMBY- Not In My Back Yard- is the motivation and ability of residents to protect their communities from facilities and activities which they feel will be somehow adversely affect them or their communities. It refers specifically to the protectionist attitudes of and oppositional tactics adopted by community groups facing an "unwelcome development" in their neighborhood.

Planned Unit Development
A Planned Unit Development (PUD) as defined in "The Illustrated Book of Development Definitions" is an area of minimum contiguous size, as specified by ordinance, to be planned and developed as a single entity containing one or more residential clusters or planned unit residential developments, and one or more public, quasi-public, commercial or industrial areas in such ranges of ratios of nonresidential uses to residential uses as shall be specified.

Public-Private Partnerships
Joint efforts between the public and private sectors in which both provide a service or benefit towards a common goal. This partnership can help facilitate efforts to address problems with innovative solutions.

Real Estate Location Model (RELM)
A microeconomic model that attempts to replicate the workings of the real estate market in a manner consistent with microeconomic theory. The model simultaneously determines total housing demand, housing location choice, housing tenure choice, housing type choice, housing price, rental rates, land

prices, and land consumption in conjunction with each location choice's regulatory and physical capacity for a given housing price level.

Setback Requirements
The distance a structure is set back from a street, another structure, or the rear end of the lot.

State Land Use Planning Goals
Since 1973, Oregon has maintained a strong statewide program for land use planning. The foundation of that program is a set of 19 statewide planning goals. The goals express the state's policies on land use and on related topics, such as citizen involvement, housing, and natural resources.

Tenure
Whether a resident owns or rents their home.

Upzoning
Involves the selective rezoning of residential land to allow greater density (measured by the number of housing units that can be placed on a parcel of land). Higher density can include both multi-family and single-family housing.

Urban Growth Boundary
The urban growth boundary (UGB) separates urban and urbanize land from rural land. State law requires that a 20-year supply of urbanizable land be included inside its borders at all times.

APPENDICES

Appendix A.
Metro Policies
Of the
Regional Affordable Housing Strategy

June 2000

METRO

Housing Section of the Metro's Regional Framework Plan adopted by the Metro Council, in November 1996 (Note: the following housing policy is the revised version of the original housing policy in the Regional Framework Plan)

1.3 Housing and Affordable Housing

Purpose

The Metro Council, with the advice and consultation of MPAC, has determined that the subject matter of affordable housing is a growth management and land use planning matter that is of metropolitan concern and will benefit from regional planning. Metro will develop a "fair share strategy" for meeting the housing needs of the urban population in cities and counties based on a subregional analysis.

The purpose of this section 1.3 of the Regional Framework Plan is to address the need for a regional affordable housing strategy, in order to achieve this fair share strategy. These policy initiatives are intended to provide that:

- a diverse range of housing types will be available within cities and counties inside the UGB;
- specific goals for low- and moderate-income and market rate housing are adopted to ensure that sufficient and affordable housing is available to households of all income levels that live or have a member working in each jurisdiction;
- housing densities and housing costs support the development of the regional transportation system and designated centers and corridors;
- an appropriate balance of jobs and housing of all types exists within the region and subregions.
- at least 20% of new units in regionwide opportunity areas inside the UGB and in first tier urban reserves are built to be affordable to households at or below the median income without public subsidy.
- accessory dwelling units begin to be a significant part of new development.

The Metro Council adopted a Housing Needs Analysis Report in December, 1997, that is the preliminary factual basis for the determination that there is a need for a Regional Affordable Housing Strategy. The Housing Needs Analysis is premised on a concept of "affordable housing" that is based on the expectation that all households should be able to obtain appropriate housing at a cost that does not exceed 30% of total household income. As used in this section, the term "affordable housing" may include different types of housing. The Housing Needs Analysis Report identified four types: senior housing, owner occupied family homes, moderate income rentals, and assisted rental and special needs housing. In the future, other categories of affordable housing may be identified.

A wide variety of measures will be needed in order to achieve the purposes of the regional affordable housing strategy. Metro's legal authority to require cities and counties to amend their comprehensive plans and implementing ordinances is only one of the mechanisms that may be used. The use of land use planning tools will be helpful to encourage the development and retention of some types of affordable housing. However, land use planning requirements may have limited effect in encouraging some types of affordable housing. Many of the measures to be addressed in developing the regional strategy are not suitable for inclusion in functional plans or in comprehensive land use plans. These measures can be addressed with a voluntary, cooperative effort. Metro has additional powers, including financing authority, that may be used. Other governmental agencies and non-profit entities will need to be partners in achieving the goals of the Regional Affordable Housing Strategy. Special district service providers, public housing agencies, urban renewal agencies and others will play significant roles.

Affordable Housing Technical Advisory Committee

Metro will create an Affordable Housing Technical Advisory Committee with representatives of homebuilders, affordable housing providers and advocate groups, major employers, financial institutions, local governments and citizens to assist in carrying out the provisions of this section and identify cooperative approaches, regulatory reforms and incentives to be considered to ensure that needed affordable housing is built. The Committee will report to the Metro Council. The Affordable Housing Technical Advisory Committee shall seek and provide advice and consultation from and to the Metro Policy Advisory Committee (MPAC).

The Affordable Housing Technical Advisory Committee shall be created by the adoption of an ordinance. The ordinance shall specify the membership and method of appointment of Committee members. The Council shall establish timelines for the Committee to report on the matters specified in this section. Metro shall fund the work of the Committee sufficiently to allow its choices to be based on adequate factual information and to allow coordination with affected persons.

The Affordable Housing Technical Advisory Committee shall recommend a Regional Affordable Housing Strategy and amendments thereto, and make recommendations on other matters related to affordable housing referred to it by the Metro Council or MPAC. Any recommendation from the Affordable Housing Technical Advisory Committee for amendments to this Regional Framework Plan, for the adoption of Metro Functional Plan requirements and for the adoption of or amendments to the Regional Affordable Housing Strategy, shall be forwarded by the Affordable Housing Technical Advisory Committee to MPAC for its review prior to being transmitted to the Council. MPAC will provide consultation and advice to the Council for all proposals for amendments to the Regional Framework Plan and any functional plan.

The Committee should base its recommendations upon factual information. The Committee should evaluate contributing factors to the need for affordable housing and alternative courses of action or inaction and consider the consequences. This is particularly important for any recommendation on the content of the Urban Growth Management Functional Plan.

In particular, the Committee should consider the magnitude of any need for a particular housing type, whether that need is uniform throughout the region, the roles of the public and private sectors in satisfying that need, whether the need is being addressed by existing market forces and public policies, whether the need is being addressed by public and private entities, and the financial resources available to satisfy the need. Opportunities shall be provided for review and comment by citizens and affected governmental units during the preparation and review of the recommendations of the Affordable Housing Technical Advisory Committee.

Regional Affordable Housing Strategy

With the advice and consultation of the Affordable Housing Technical Advisory Committee and MPAC, the Metro Council will adopt a Regional Affordable Housing Strategy which will serve as a blueprint to guide achievement of the goals set forth in this section. The Regional Affordable Housing Strategy will not be a regulatory document. The Strategy will contain recommendations for further actions, including appropriate amendments to the Urban Growth Management Functional Plan for those elements which are suitable for implementation through comprehensive plans and zoning regulations, as well as voluntary measures.

Relationship of Strategy to Land Use Requirements

Metro's Urban Growth Boundary regulations currently provide that an urban reserve planning requirement for affordable housing includes the establishment of requirements for a minimum percentage of affordable units and accessory dwellings. The Urban Growth Management Functional Plan currently contains provisions which further the affordable housing policies of Metro. These existing provisions require that:

- A minimum density is established in all zones allowing residential uses.
- At least one accessory unit is allowed within any detached single family dwelling.
- Housing densities are increased in light rail station communities, centers and corridors, if necessary, to implement the 2040 Growth Concept.

Implementation of the Strategy through adoption of additional Metro Urban Growth Management Function Plan requirements will be appropriate in some circumstances. These amendments will be the only regional policies which require cities and counties to amend their comprehensive plans and implementing regulations to implement the Regional Affordable Housing Strategy.

The Metro Council has made a determination that performance standards for replacement housing ordinances and zoning density bonus incentives shall be adopted in the future as functional plan requirements. Such functional plan requirements will be subject to the advice and recommendations of the Affordable Housing Technical Advisory Committee and MPAC and the planning processes as provided for in this policy. The legality and appropriateness of any functional plan requirements may be contested during this future adoption process.

Content of Regional Affordable Housing Strategy

The Affordable Housing Technical Advisory Committee shall address the following matters in developing the Regional Affordable Housing Strategy:

Fair Share Strategy

The Regional Affordable Housing Strategy will include numerical “fair share” affordable housing targets for each jurisdiction to be adopted in the Urban Growth Management Functional Plan. The “fair share” targets that will be developed should reflect the current and future affordable housing needs of the region. The targets will be consistent with the affordable housing and jobs-housing balance policies established in the Regional Framework Plan. The determination of housing needs and numerical targets will include consideration of existing jurisdictional proportions of affordable and non-affordable housing supply and the roles of existing providers of affordable housing. Intergovernmental solutions toward attainment of fair share targets are encouraged. The "fair share" targets shall be based upon housing inventories and other factual information concerning the regional and subregional demand, supply and cost of housing and buildable lands, and the income levels and housing needs of current and future residents. Once the fair share targets are established, Metro will monitor the existing and new supply and delivery of affordable housing in the region. The Affordable Housing Technical Advisory Committee may recommend that fair share targets be implemented through Urban Growth Management Functional Plan amendments.

Land Use Planning Tools

The Affordable Housing Technical Advisory Committee will make recommendations that the Regional Affordable Housing Strategy address the need for amendments to the Urban Growth Management Functional Plan to further the purposes of this section. These land use planning tools shall be considered together with other non-land use measures that may be needed to attain fair share targets. Land use planning tools for affordable housing may be in the form of recommendations to cities and counties or as requirements for amendments to adopted city and county comprehensive plans and implementing ordinances. Any land use requirements for cities and counties will need to be adopted as Urban Growth Management Functional Plan amendments by the Metro Council with the advice and consultation of MPAC.

In making its recommendations, the Affordable Housing Technical Advisory Committee shall address the need for model ordinances. The Committee shall consider the following tools which may have land use and non-land use planning elements:

A) <u>Performance standards for replacement housing ordinances</u>. These ordinances are intended to ensure that existing affordable housing units which are lost to demolition or non-residential development are replaced with an equal number of new affordable housing units. The Committee shall consider methods to ensure governmental or non-profit purchase of threatened buildings, requirements for construction of replacement units, or payments to a replacement housing fund as alternatives.

Consideration shall be given to implementing tools for replacement of rental housing in older central city high density areas, as well as replacement of lower density construction outside the central city.

B) Performance standards requiring density bonus incentives. This type of incentive allows a sufficient increase of density over the maximum allowable density in mixed use areas as an incentive in return for a percentage of units being developed as affordable units. The amount of increased density allowed needs to be high enough to ensure that it is economically feasible for developers to build affordable units. Mechanisms to ensure that units qualifying for the incentive remain affordable for at least 60 years or be subject to a shared equity mortgage program shall be considered . An exemption process shall be adopted with this performance standard to allow cities and counties an exemption from this requirement if a demonstrated lack of public facilities prevents implementation of this requirement.

C) Urban Growth Boundary considerations, Before an exception to a Functional Plan requirement affecting housing is pursued by a city or county, the effect of the grant of the exception on the need for expansion of the Urban Growth Boundary shall be considered.

D) Performance standards for regionwide mandatory inclusionary housing. Any regionwide mandatory housing policy requires careful consideration. Regionwide mandatory inclusionary housing based on a constitutionally valid zoning approach shall be considered for functional plan implementation if cooperative programs have not significantly moved the region toward the goals of this policy.

E) Other tools. The land use planning aspects of the measures described below as additional Regional Affordable Housing Strategy tools should also be considered.

In determining its recommendation regarding the adoption of performance standards for replacement housing ordinances, mandatory zoning density bonus incentives, or inclusionary housing policies, the Affordable Housing Technical Advisory Committee shall consider housing inventories and other factual information, including information about the demand, supply and cost of housing and buildable lands, and the incomes and housing needs of current and future residents. The Committee should evaluate alternative courses of action and review the consequences, of any particular action or failure to act. In particular, the Committee shall consider whether adoption of these performance standards would be inconsistent with other policy objectives of the Regional Framework Plan or with applicable federal and state laws and regulations. The views of affected local governments are important to consider in determining whether to adopt these types of performance standards.

Additional Regional Strategy Tools

In developing the Regional Affordable Housing Strategy, the Affordable Housing Technical Advisory Committee shall also address the following:

A) additional measures to encourage and give incentives to develop affordable housing;

B) types and amounts of affordable housing to be accommodated by the jurisdiction consistent with the functional plan targets;

C) provisions to remove procedural barriers to current production of affordable housing;

D) a variety of tools to ensure that the affordable housing to be accommodated is actually built, such as donation of tax foreclosed properties for nonprofit or government development as mixed market affordable housing, transfer of development rights, permit process incentives, fee waivers, property tax exemptions, land banking, linkage programs, expedited review processes, and affordable housing funding programs.

E) requirements for maintaining architectural consistency of affordable units;

F) long term or permanent affordability requirements;

G) provision for affordable housing for seniors and the disabled;

H) provision for preferential processing of UGB amendments in First Tier urban reserves when a minimum percentage of affordable units are included.

I) consideration of a real estate transfer tax as a funding source for an affordable housing fund at the state, regional or local level when that option becomes available under state law.

J) additional voluntary inclusionary housing approaches consistent with Oregon land use laws and 2040 Growth Concept design types that are supportive of maintaining neighborhood architectural consistency. These additional approaches should include inclusionary housing goals and principles that are the basis of a voluntary program for increased production of affordable housing units without regulation.

K) development of a public-private program to reduce costs of production of new affordable housing and increase the supply of units to non-profit providers for possible subsidy. One part of such a program may be coordination between for profit builders and non profit affordable housing providers to facilitate sales of affordable for profit units to non profit affordable housing providers during the development of these units.

Adoption of Affordable Housing Strategy

The adoption by the Metro Council of the Regional Affordable Housing Strategy and any functional plan amendments shall be based upon the information and factors required by this section to be considered by the Affordable Housing Technical Advisory Committee, the recommendations of the Affordable Housing Technical Advisory Committee and MPAC, and the record created before the Metro Council.

Additional Metro Measures

In addition to developing and adopting a Regional Affordable Housing Strategy and considering amendments to the Urban Growth Management Functional Plan, Metro will undertake the following measures to further regional affordable housing goals:

A) Metro, through the JPACT process, shall link regional transportation funding to affordable housing policy and achievement of affordable housing targets to the extent allowed by law, by creating incentives for use of discretionary funds for projects that further adopted affordable housing policies.

B) Metro will inventory publicly owned lands, including the "air rights" above public lands, to identify underutilized public lands, excluding parks and open space, for possible development of affordable housing.

C) Metro shall be a resource to assist developers of affordable housing and nonprofit charitable organizations to identify underutilized lands owned by nonprofit organizations, including the "air rights" above those lands, for possible development of affordable housing.

D) Metro shall review all lands designated for residential use inside the UGB in implementation of Urban Growth Management Functional Plan to determine whether additional measures are needed to insure that an adequate supply of land, including opportunities for redevelopment, are zoned appropriately and available for affordable housing.

E) Metro shall compile and maintain a data base on the demand, supply and cost of housing and buildable lands, income and housing needs of current and future residents, attainment of the fair share targets and other information relevant to affordable housing issues. This information is important in measuring the success of regional strategy tools and the need for revisions to the Regional Affordable Housing Strategy.

Council Review of Affordable Housing Policies

The Regional Affordable Housing Strategy shall be evaluated and may be updated no later than two years after its adoption. Thereafter, the strategy shall be reviewed as provided for in the Strategy Plan. The Council shall obtain the recommendations of the Affordable Housing Technical Advisory Committee and MPAC before amending or revising the Strategy.

APPENDICES

Appendix B.
Affordable Housing Production Goals
(Fair Share)
of the
Regional Affordable Housing Strategy

June 2000

METRO

Fair Share Subcommittee Members

Charge: Determine the affordable housing need for the region, analyze housing data, estimate the Benchmark Need for affordable housing to 2017 and recommend options for regional and local jurisdictions affordable housing production.	
Chair Tasha Harmon	Community Development Network
Vince Chiotti	Oregon Housing and Community Services Department
Tom Cusack	HUD
David Lawrence	City of Hillsboro
Doug McClain	Clackamas County
Mike Saba	City of Portland
Andree Tremoulet	City of Gresham
Roger Vonderharr	Mayor of Fairview
Ramsay Weit	Multnomah County
Susan Wilson	Washington County Housing Services

CHANGE OF TERM
Affordable Housing Production Goals (Fair Share Targets)
H-TAC decided to replace the term "<u>fair share targets</u>" with "<u>affordable housing production goals</u>" because the latter conveys properly the region's cooperative effort towards achieving livable communities within our region.

Fair Share Definition

Adopted by the Metro Affordable Housing Technical Advisory Committee on:
December 7, 1998

"Fair share" means an equitable distribution of a diverse range of affordable housing throughout the Metro region.

Determination of fair share shall be based upon an analysis of factual information concerning: the existing housing stock; regional and subregional demand, supply, and cost of housing and buildable lands; and the income levels and housing needs of all current and future residents, including elderly people, people with disabilities, families with children, single heads of households, and racial and ethnic minorities.

Five principles define "equitable distribution":

- A diverse range of housing types is available within the region and within cities and counties inside the urban growth boundary.
- Sufficient and affordable housing opportunities are available to households of all income levels that live or have a member working in each jurisdiction and subregion.
- An appropriate balance of jobs and housing exists within subregions.
- The current and future need for and supply of affordable housing in the region is addressed in the distribution.
- Concentrations of poverty are minimized.

The existing and potential roles and capacities of the public and private sectors will be considered.

Definitions

Affordable Housing: is living accommodation for low and moderate income households where they pay no more than 30 percent of their income on housing costs. (For renters, "housing costs" includes rent and utilities. For homeowners, it includes principle, interest, taxes, property insurance, and mortgage insurance, if applicable.)

Low- and Moderate-Income: includes the following income categories:

- Extremely Low Income: less than 30% of regional median income*
- Low Income: 31-50% of regional median income
- Low-Moderate Income: 51-80% of regional median income
- Moderate Income: 81-120% of regional median income

***Regional Median Income** is the figure established by the US Department of Housing and Urban Development (HUD) for the Portland area SMSA. It is modified by family/household size and is updated regularly by HUD.

Attachment C

HOW WERE AFFORDABLE HOUSING PRODUCTION GOALS CALCULATED?

Step 1:
2017 household projections were applied to regional distribution of households in four income groups (<30%, 30-50%, 51-80%, 81-120% of the region median household income) to project the desired distribution of households by income group by jurisdiction in 2017.
Step 2:
The amount of existing affordable housing units to the four income groups in each jurisdiction was subtracted from the product of Step 1.
Step 3:
10% of Step 2 number was recommended by H-TAC as the five-year production goal. (H-TAC recommended that the critical production goals be established for below 50% of median household income)

Example - City of Beaverton:

38,704	X	11.5% (the result is 4,451)	-	175	=	4,276	X	10% Production Goal = 427 for <30% Income Group
Number of Households in City X in 2017	X	Regional Rate of Households in <30% Median Income Group	-	Credits for Existing Supply of Affordable Housing for Households in <30% Median Income Group	=	Benchmark Need for Affordable Housing for Households in <30% Median Income Group	➡	Production Goal for Affordable Housing for Households in <30% Median Income Group

↕

This process was repeated for:
-30-50%
-51-80%
-81-120%
Income Groups

Benchmark Affordable Housing Need to 2017

(Total Affordable Housing Need - Not Targets or Goals)

Jurisdiction	2017 Households[1]	Number of Households in each Income Group in 2017 based on Regional Percentages in 1995[2]				Estimated Housing Units in 1998 Affordable to Defined Income Groups[3]				Total Need for Affordable Housing Units by Jurisdiction by Income Group to Year 2017**			
		<30%	30 Ð 50%	51 - 80%	81 - 120%	<30%	30 - 50%	51 - 80%	81 - 120%	<30%	30 - 50%	51 - 80%	81-120%
Beaverton	38,704	4,451	4,296	7,780	7,160	175	2,005	8,557	8,105	(4,276)	(2,291)	777	944
Cornelius	3,601	414	400	724	666	16	300	1,244	1,234	(398)	(100)	520	568
Durham	533	61	59	107	99	6	23	85	326	(55)	(36)	(22)	228
Fairview	4,145	477	460	833	767	51	151	1,135	481	(425)	(309)	302	(286)
Forest Grove	8,227	946	913	1,654	1,522	398	817	2,104	2,076	(548)	(96)	451	554
Gladstone	4,582	527	509	921	848	91	413	1,883	1,462	(436)	(96)	962	614
Gresham	45,297	5,209	5,028	9,105	8,380	654	4,004	16,925	5,853	(4,555)	(1,024)	7,821	(2,527)
Happy Valley	2,583	297	287	519	478	3	8	56	510	(294)	(279)	(463)	32
Hillsboro	27,911	3,210	3,098	5,610	5,164	180	981	6,865	8,022	(3,030)	(2,117)	1,255	2,859
Johnson City	754	87	84	152	139	141	243	25	133	55	159	(126)	(7)
King City	417	48	46	84	77	2	42	660	608	(46)	(4)	576	531
Lake Oswego	16,452	1,892	1,826	3,307	3,044	42	284	2,823	3,683	(1,850)	(1,542)	(484)	639
Maywood Park	122	14	14	25	23	5	25	217	54	(9)	11	192	31
Milwaukie	11,709	1,347	1,300	2,354	2,166	304	1,323	3,471	3,062	(1,043)	23	1,118	896
Oregon City	12,896	1,483	1,431	2,592	2,386	253	1,076	4,137	3,166	(1,230)	(355)	1,545	780
Portland	280,528	32,261	31,139	56,386	51,898	12,396	33,055	89,310	50,141	(19,864)	1,916	32,923	(1,756)
Rivergrove	123	14	14	25	23	0	1	23	43	(14)	(13)	(2)	20
Sherwood	6,395	735	710	1,285	1,183	66	148	891	1,248	(670)	(561)	(394)	65
Tigard	19,179	2,206	2,129	3,855	3,548	37	1,092	3,604	5,038	(2,169)	(1,037)	(251)	1,490
Troutdale	7,096	816	788	1,426	1,313	65	229	2,257	1,564	(751)	(559)	831	251
Tualatin	10,552	1,213	1,171	2,121	1,952	6	475	1,948	3,511	(1,208)	(696)	(173)	1,559
West Linn	8,897	1,023	988	1,788	1,646	36	274	1,069	1,638	(987)	(713)	(719)	(8)
Wilsonville	8,842	1,017	981	1,777	1,636	17	184	1,714	1,138	(1,000)	(797)	(63)	(497)
Wood Village	1,548	178	172	311	286	14	160	551	282	(164)	(11)	240	(5)
Clackamas County Uninc.	77,498	8,912	8,602	15,577	14,337	1,603	4,858	19,355	23,713	(7,309)	(3,744)	3,778	9,375
Multnomah County Uninc.	7,621	876	846	1,532	1,410	62	312	1,632	1,820	(814)	(534)	100	410
Washington County Uninc.	116,696	13,420	12,953	23,456	21,589	266	3,526	15,960	24,242	(13,154)	(9,427)	(7,496)	2,653
Totals	722,909	83,135	80,243	145,305	133,738	16,889	56,009	188,503	153,153	(66,245)*	(24,234)*	43,198	19,414

** Parentheses indicate a need for housing units.

[1]Based on MetroÕs Urban Growth Management Functional Plan.

[2]American Housing Survey, 1995. <30%MHI = 11.5%; 30-50%MHI = 11.1%; 51-80% = 20.1%; 81-120%MHI = 18.5%; 120%MHI+ = 38.8%.

[3]U.S. Census, 1990; Marathon Management, 1998; Metro, 1999. Assisted rental housing is included but not separately displayed on this table.

*H-TAC determined that the households with the greatest need for affordable housing were those in the 0-30% and 30-50%MHI (66,245 + 24,234 = 90,479)

Five-Year Affordable Housing Production Goal Allocated by Jurisdiction[1]

The Five-Year Affordable Housing Production Goal is 10% of the Benchmark Need.
The Benchmark Need was determined for each jurisdiction based on 2017 population projections, the regional distribution of household incomes, and credits for the existing supply of housing affordable to households earning 50%MHI and below.

Jurisdiction	Benchmark Need – 90,479 (2017)		Percent of Benchmark Need by Income Group		Five Year Affordable Housing Production Goal – 9,048[2]		
	Benchmark need	*Percent of benchmark need*	*less than 30%*	*30-50%*	*less than 30%*	*30-50%*	*Totals**
Beaverton	6,567	7.24%	65%	35%	**427**	**229**	**655**
Cornelius	497	0.55%	80%	20%	**40**	**10**	**50**
Durham	92	0.10%	61%	39%	**6**	**4**	**9**
Fairview	734	0.81%	58%	42%	**42**	**31**	**73**
Forest Grove	645	0.71%	85%	15%	**55**	**10**	**64**
Gladstone	532	0.59%	82%	18%	**43**	**10**	**53**
Gresham	5,580	6.15%	82%	18%	**454**	**102**	**557**
Happy Valley	573	0.63%	51%	49%	**29**	**28**	**57**
Hillsboro	5,148	5.68%	59%	41%	**302**	**211**	**514**
Johnson City	0	0.00%	0%	0%	**0**	**0**	**0**
King City	51	0.06%	91%	9%	**5**	**0**	**5**
Lake Oswego	3,392	3.74%	55%	45%	**185**	**154**	**338**
Maywood Park	0	0.00%	100%	0%	**0**	**0**	**0**
Milwaukie	1,019	1.12%	100%	0%	**102**	**0**	**102**
Oregon City	1,585	1.75%	78%	22%	**123**	**35**	**158**
Portland	17,948	19.79%	100%	0%	**1,791**	**0**	**1,791**
Rivergrove	27	0.03%	52%	48%	**1**	**1**	**3**
Sherwood	1,231	1.36%	54%	46%	**67**	**56**	**123**
Tigard	3,205	3.53%	68%	32%	**216**	**103**	**320**
Troutdale	1,310	1.44%	57%	43%	**75**	**56**	**131**
Tualatin	1,904	2.10%	63%	37%	**120**	**69**	**190**
West Linn	1,700	1.87%	58%	42%	**98**	**71**	**170**
Wilsonville	1,797	1.98%	56%	44%	**100**	**80**	**179**
Wood Village	175	0.19%	93%	7%	**16**	**1**	**17**
Clackamas County Uninc.	11,053	12.19%	66%	34%	**729**	**374**	**1,103**
Multnomah County Uninc.	1,349	1.49%	60%	40%	**81**	**53**	**135**
Washington County Uninc.	22,582	24.90%	58%	42%	**1,312**	**940**	**2,253**
Totals	**90,695**	**100.00%**	**72%**	**28%**	**6,420**	**2,628**	**9,048**

[1]Further explanation of calculations in this table may be found in Chapter 3: Regional Housing Goals. *H-TAC recommends that these goals be recalculated when 2000 Census data become available.*
[2]The Affordable Housing Production Goal is intended to be a guideline to local jurisdictions, and is voluntary.
*Totals may not add up to due rounding.

Following are other background materials showing the process for developing the affordable housing production goals (fair share).

M E M O R A N D U M

METRO

Date: May 28, 1999

To: Mike Burton, Executive Officer

From: Commissioner Diane Linn, Chair, H-TAC
Elaine Wilkerson, Director, Growth Management Services Department

Re: Options for Fair Share Housing Targets

As you know, the Regional Framework Plan requires that the Housing Technical Advisory Committee (H-TAC) develop fair share targets for affordable housing. H-TAC has proposed three options for fair share targets. The Committee has recommended that these options be reviewed by MPAC and then the Metro Council. Councilor Washington has indicated that he agrees with providing MPAC the first opportunity to review these options. The Regional Framework Plan stated that H-TAC shall hold public hearings, send preliminary fair share targets recommendation to MPAC and then submit fair share targets recommendation to the Metro Council nine months after the adoption of the housing policy ordinance (June 1999). The RFP also stated that H-TAC shall submit the draft Regional Affordable Housing Strategy Plan to the MPAC and Metro Council 15 months after the date of adoption of the housing policy ordinance (December 1999).

We expect that the Metro Council Growth Management Committee will begin review of the options on June 8 and that MPAC will begin its review on June 9. Once these reviews are completed, the Committee plans to conduct public hearings in September and thereafter forward its formal recommendation of fair share targets to MPAC and the Council Growth Management Committee /Metro Council in the fall.

The targets were developed by first estimating the total need (or “benchmark”) for affordable housing. H-TAC estimates that if all households with incomes at or less than 50 percent of regional median household income paid no more than 30 percent of their income for housing through 2017 there will be a need for 90, 479 affordable units in the region. This is calculated on Table 1, attached.

The benchmark need is then converted to realistic five-year fair share targets. These targets are based on past production levels for assisted housing. The three options H-TAC has identified are:

Option 1: 150% of current production = 7,500 units
Option 2: 200% of current production = 10, 000 units
Option 3: 10% of Benchmark Need (90,479 units) = 9,048 units

The region-wide production goals are then apportioned to each city and county in the region based on trying to achieve a housing mix in each community that is similar to the current mix of housing region-wide (see Table 2). H-TAC is reluctant to conclude which goal should be recommended until more is known about possible implementation methods and what additional funding may be available.

H-TAC is also, in a separate subcommittee, addressing regulatory strategies and tools included in the RFP and other non-regulatory strategies to implement the fair share targets and increase the supply of affordable housing.

We would appreciate your forwarding this material to the Chairs of the Metro Council Growth Management Committee and MPAC for their considerations in accordance with the H-TAC Bylaws.

i:\gm\long_range_planning\projects\housing\Fair Share\Update to Executive Officer - 052599

Attachment

cc: Bruce Warner, Metro Chief Operating Officer

H-TAC Fair Share Affordable Housing Target Options to the Metro Council Growth Management Committee for Review and Comment

June 1999

Process

Metro's Affordable Housing Technical Advisory Committee (H-TAC) has been working to develop draft fair share goals since October 1998. Since soon after H-TAC was formed, a Fair Share Subcommittee has worked with Metro staff to develop fair share housing methodology and options. H-TAC voted to forward three options for Fair Share Targets in the attached Discussion Draft method and tables. These options are scheduled for public hearings in September 1999 to determine H-TAC's final recommendations to MPAC and Metro Council in October and November respectively. MPAC review and comment is needed prior to those hearings.

Summary

Regional Framework Plan Policy

- Metro Council Ordinance adopting the revised housing policy in the Regional Framework Plan (adopted 9/18/1998) required that H-TAC should submit its fair share affordable housing targets recommendation to the Metro Council nine months from the date of adoption of the ordinance (June 1999). Public hearings must be conducted and the recommendation submitted to MPAC before it is taken to the Metro Council.
- H-TAC intends to hold public hearings in September 1999 before finalizing its recommendation to MPAC and Metro Council.

Definition – what does fair share mean?

- "Fair Share" means an equitable distribution of a diverse range of affordable housing throughout the Metro Region.
- "Fair Share Targets" means affordable housing targets for each jurisdiction, as stated in the Regional Framework Plan.

Methodology

- The goal of the fair share method is to "achieve an equitable distribution of housing opportunity among local jurisdictions in the region by working toward a similar distribution of household incomes within each Metro jurisdiction that reflects the regional income distribution as a whole."
- The fair share method assumes that housing units should be provided in such a way that will ensure that lower income households would have the opportunity to live in any jurisdiction in the region in proportion to the regional average of households in that income group.
- The fair share method is a supply-oriented assessment of the regional benchmark need for affordable housing. ***The regional benchmark need to 2017 is 90,479 units for households at less than 50% of regional median household income.*** The benchmark need is then converted to realistic fair share targets using an approach based on past production levels of assisted housing units in the region.

Five-Year Fair Share Targets

- Due to current gaps in data availability, a preliminary Five-Year Target should be set, to be reevaluated after the 2000 Census is available. Three options for a regional five-year fair share target based on the goal of the fair share method and past production levels (current regional average production rate is 1,146 units per year – rounded to 1,000 units) for assisted housing are as follows:
  Option 1: 150% of Current Production = 7,500 units five-year target

Option 2: 200% of Current Production = 10,000 units five-year target
Option 3: 10% of the Benchmark Need (90,479 units) = 9,048 units five-year target

- The regionwide fair share targets were apportioned to jurisdictions based on the goal of the method.
- Focus of the five-year fair share targets is on the highest need – those in the less than 50% of region median household income category (a family of four in 1998 would earn $26,200).
- Fair share targets are consistent with the region's jobs-housing balance policies because the fair share method provides the opportunity for households of all income groups to live in any jurisdiction.

Major Policy Issues

The following are policy directions recommended by H-TAC. Does MPAC agree with these recommendations? If not, what approach is appropriate?

A. Fair share goal and methodology are based on achieving an equitable distribution of housing opportunity among jurisdictions in the region by working toward a similar distribution of household incomes within each jurisdiction that reflects the regional income distribution as a whole.
B. Focus of the fair share targets for jurisdiction is on lower income groups – those in the less than 50% of region median household income.
C. One of the three options for five-year fair share target for the region based on a production approach listed below will be chosen for implementation to be reevaluated after the 2000 census is available:
   Option 1: 150% of Current Production – 7,500 units
   Option 2: 200% of Current Production – 10,000 units
   Option 3: 10% of the Benchmark Need (90,479 units) – 9,048 units
D. Recognizing that the proposed five-year fair share goals will require more subsidy than currently is available to produce housing units for the less than 50% of region median household income group, where will the resources come from to meet this need?

Other Policy Issues that H-TAC will be Addressing in the Future

- Should fair share targets be voluntary recommendations or mandatory requirements? Are there other options?
- Should strategies and tools for implementing the fair share targets be completely developed before final recommendation of fair share target is submitted to the Metro Council?
- Should a regional funding strategy for affordable housing be developed?
- Should a potential regional funding strategy be focused only on fair share targets?
- How should the other income groups – 51-80%and 81-120% - included in the H-TAC defined low and moderate income groups but not included in the fair share target income groups be addressed?

Next Steps

- Develop strategies and tools to help local jurisdictions reach the fair share goals, and decide on a Five-Year Goal consistent with the implementation strategies.
- Determine how to use Section 8 vouchers/certificates in assessing jurisdictional efforts towards meeting the needs of the targeted income groups and to track the use of vouchers in the region.
- Develop a methodology for monitoring and evaluating progress toward fair share goals.
- Presentation of DRAFT Proposed Method, Benchmark Need, and Five-Year Goal to MPAC, local governments, and citizens using outreach and public involvement materials before submitting recommendations to the Metro Council.
- How should the other income groups – 51-80% and 81-120% - included in the H-TAC defined low and moderate income groups but not included in the fair share target income groups be addressed?

Background

In October 1998, the H-TAC Fair Share Subcommittee began by discussing methods for allocating fair share housing targets used in other parts of the United States.

H-TAC members of the Fair Share Subcommittee include:

- Chair Tasha Harmon *(Community Development Network)*
- Vince Chiotti *(Oregon Housing and Community Services Department)*
- Tom Cusack *(US Department of Housing and Urban Development)*
- David Lawrence *(City of Hillsboro)*
- Doug McClain *(Clackamas County)*
- Mike Saba *(City of Portland)*
- Andree Tremoulet *(City of Gresham)*
- Roger Vonderharr *(City of Fairview)*
- Susan Wilson *(Washington County Housing Services)*

The Subcommittee spent a lot of time reviewing data and discussing formulas, and came to an agreement that it may not be possible to develop perfect fair share targets, but to strive to develop objective targets. The Subcommittee also agreed that there is a definite connection between fair share targets and strategies, hence H-TAC's objective should ensure that effective strategies and tools are developed for successful implementation of the targets.

After much consideration, in February 1999, the Subcommittee presented three possible methods for fair share allocation to H-TAC. The Subcommittee was directed by H-TAC to focus on the redistributive approach of Method A, which is based on redistributing households in H-TAC defined income groups[1] throughout the region so that all jurisdictions contain a similar income mix. HTAC recognized that the focus of this approach should be on developing a benchmark regional need number for affordable housing and that the subcommittee should also develop a methodology for adjusting the benchmark need to more realistic fair share targets.

In March and April 1999, the Growth Management Services Department received a grant from the Oregon Department of Land Conservation and Development to acquire additional data to develop a more current estimate of the regional housing stock. During the same period, the Subcommittee and staff focused on determining criteria that could be used to adjust the overall benchmark need to a more realistic fair share target. In fulfilling the requirements of the Regional Framework Plan, the Subcommittee considered if the benchmark need is consistent with jobs-housing balance policies of the region. Based on Subcommittee recommendations, H-TAC concluded that the Proposed Fair Share Method (formerly called Method A) addressed the jobs-housing balance by providing households of all income groups the opportunity to live in any jurisdiction. Other factors considered by the Subcommittee for adjustment of the benchmark need include past production levels and development cost.

In May the Subcommittee presented to H-TAC a Proposed Fair Share Method to obtain fair share benchmark affordable housing need numbers and a method of developing ambitious but reasonable fair share targets or goals for jurisdictions.

Goal of Fair Share Method

The goal of the Proposed Fair Share Method (on the **gray colored page**) is as follows:

> ***Achieve an equitable distribution of housing opportunity among local jurisdictions in the region by working toward a similar distribution of household incomes within each Metro jurisdiction that reflects the regional income distribution as a whole. This goal is implemented in the Proposed Fair Share Method by using the percentage of households in each of the H-TAC defined income groups for 1995.***

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1 <30% Regional Median Household Income, 30-50% RMHI, 51-80% RMHI, 81-120% RMHI.

Draft Fair Share Benchmark Need

The Fair Share Subcommittee felt that it was crucial to start with a good picture of the overall regional need for affordable housing prior to developing fair share targets. The purpose of the Fair Share Benchmark Need is to show the regional need for affordable housing to 2017, recognizing that addressing the entire problem through fair share targets is not realistic. After much research and discussion, the following approach results in a Fair Share Benchmark Need. Further explanation can be found on the **gray colored page**.

A. Metro projections for number of households by jurisdiction in 2017.
B. Apply regional percentages of households in H-TAC defined income groups to determine redistribution of households by jurisdiction.
C. Account for existing (1998) housing stock affordable to H-TAC defined income groups by jurisdiction.
D. Subtract the number of redistributed households from the amount of housing affordable to them by income group for each jurisdiction to determine the need for additional units.

The enclosed **salmon colored table** entitled *"DRAFT Fair Share Benchmark Need"* contains the results of the Proposed Fair Share Method.

Assumptions

The Proposed Fair Share Method is based on the following main assumptions.

1. *2017 Time Horizon.* The draft fair share benchmarks indicate the number of units of housing needed for new and existing households in the H-TAC defined income groups between now and 2017.
2. *Supply-side orientation.* This approach is supply oriented – it focuses on the number of households in an income group and the commensurate number of housing units. It does not account for the availability of a specific unit.
3. *Redistributive assumption.* Housing units should be provided in such a way that will ensure that lower income households would have the opportunity to live in any jurisdiction in the region in proportion to the regional average of households in that income group.
4. *Formula should be evaluated when 2000 Census data becomes available.* The formula currently redistributes households based on the percent of households in the region in H-TAC defined income groups for 1995, when the most recent data is available. All of the data, as well as the targets, should be updated when regionally consistent good information is available after the 2000 Census.

Benchmark Need: The overall regional benchmark need for households at less than 50% of regional median household income is 90,479 housing units.

Caveats

Some general but important concerns expressed by some members of the Subcommittee are as follows:

- There is a margin of error in the model when it is applied to the smaller cities, such as Johnson City or Maywood Park.
- The Proposed Fair Share Method may understate the actual total affordable housing need because the method assumes that households will purchase or rent housing commensurate with their income level. Units that appear to be affordable may not necessarily be available to low-income households as households at higher income levels may occupy them.
- Tenure is an important issue that is not considered in the formula, but can be addressed through strategies and other tools. Tenure can also be included when the 2000 Census data is available. An example of how tenure may impact the benchmark numbers is that owner-occupied housing stock might show up in the data as being expensive when in reality the owner is paying little since the house was purchased many years ago.

- Currently there are approximately 7,000 Section 8 Vouchers/Certificates in use in the Metro region. The Fair Share Subcommittee decided to exclude vouchers in the Proposed Fair Share Method to avoid double counting.

Setting Realistic Fair Share Targets

After developing the Fair Share Benchmark Need, the Fair Share Subcommittee was faced with the need to translate the overall regional need into fair share targets that were realistic for local jurisdictions.

Basic Recommendation

After much discussion, H-TAC accepted the following Fair Share Subcommittee recommendations:

- The <u>emphasis and focus of setting fair share goals should be on the income groups that have the highest need – households at less than 50% of regional median household income</u>.
- While some subsidies cannot be applied to the lowest income levels, the majority of public subsidies be directed toward households at the lower income levels.
- The working total benchmark number as a result of the Proposed Fair Share Method is 90,479[2] until the 2000 Census data is available, at which time the benchmark number will be reevaluated.
- <u>Due to current gaps in data availability, a preliminary Five-Year Target should be set, to be reevaluated after the 2000 Census is available</u>.
- Other income groups (51-80% and 81-120%) should not be ignored, especially in those jurisdictions where a need is shown for additional housing.

Setting Five-Year Targets

In an effort to develop a reasonable but ambitious goal for housing production in the region, the Fair Share Subcommittee looked at the past production of assisted housing in the region. Below is a summary of the process for developing options for a five-year fair share target for the region.

- Develop options for a five-year assisted housing target for the region, to be decided upon after further development of implementation strategies.
- From 1992 to 1997, current available data shows that the average production rate for assisted rental housing was 1,146 units per year. The Subcommittee agreed that approximately 1.5 times the current average production rate (rounded to 1,000 units) would be an ambitious but reasonable goal of 1,500 units per year.
- The preliminary options for a five-year target for the region, based on a production goal approach, are as follows:
  Option 1: 150% of Current Production – 7,500 units
  Option 2: 200% of Current Production – 10,000 units
  Option 3: 10% of the Benchmark Need (90,479 units) – 9,048 units
- Achievement of any of these goals will require more than the current available resources, as most units currently are not produced for households at more than 50% of regional median income. It requires more subsidy to produce housing units for households at lower income levels.

The table in the **green colored page** shows options for a Five-Year Assisted Housing Goal for local jurisdictions and the region. The goals for local jurisdictions are based on a percentage of their overall benchmark need for units affordable to households with income levels at <50%, as well as the proportion of need by targeted income group in each jurisdiction.

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2 66,245 households in need at less than 30% of regional median income plus 24,234 households in need at the 30-50% of regional median income level.

MEMORANDUM

Date: March 15, 1999
To: H-TAC
From: Staff
Subject: Proposed methodology for updating inventory of market rate housing stock

Existing market rate affordable housing is a key piece of data that must be gathered prior to the model run of the final fair share allocation formula. After many meetings with the H-TAC Fair Share Subcommittee, it has been determined that the data must be updated from the 1990 US Census. The Subcommittee directed staff to propose a methodology and submit to H-TAC at the March 15, 1999 meeting.

Staff proposes the following methodology to update the market rate affordable housing inventory from the 1990 US Census data.

1) ***Owner-occupied units.*** Staff will use the Regional Land Information System (RLIS) and the data from the tax assessors in each of the three Metro counties to provide an up to date picture of the current inventory of affordable owner occupied housing.
2) ***Rental units.*** Due to the different types of rentals, more than one method will be combined to obtain the most accurate estimate possible.
   - Staff will use data from Marathon Management to update the inventory for complexes with 15 units and more, including both location and ranges of rental cost.
   - Staff will use a database developed by Metro's Regional Environmental Management recycling program to identify the location of complexes containing 5-14 units. The rental cost will be updated using 1990 Census data as a basis and comparing with current rental costs as outlined in Marathon Management or McGregor Millette data.
   - Staff will update the inventory for single family rentals and complexes containing less than five units by using 1990 Census data as a basis, and the 1995 American Housing Survey to determine the percentage change from 1990 in units. Staff will then update the rental cost by comparing the change in overall rents from 1990 to data from Marathon Management, etc.

Update Schedule
Staff can complete an update of the market rate housing inventory within the next month and will transmit the results to the Fair Share Subcommittee for further review and directions on how to apply the data.

Future Updates
The Fair Share Subcommittee and staff propose that, due to the fact that the most accurate information is collected through the US Census, data produced from the above methodology should be acceptable for setting fair share goals for jurisdictions. The goals could be updated after the 2000 Census data are available. Thereafter, the goals could be updated at least every ten years with current US Census data.

APPENDICES

Appendix C.
Complete Strategy Reports
Of the
Regional Affordable Housing Strategy

June 2000

METRO

1. H-TAC SUBCOMMITTEE MEMBERS

Cost Reduction Subcommittee *Charge:* Continue work begun by the previous Strategies Subcommittee, developing programmatic approaches for addressing and developing strategies for implementatin of the cost factors affecting affordability, as well as address and develop strategies for other tools as assigned in the Regional Framework Plan.	
Chair: David Bell, *GSL Properties*	For-profit housing provider
Gail Brownmiller, *City of Hillsboro*	Cities of Washington County
Diane Luther, *Northwest Housing Alternatives*	Nonprofit affordable housing provider- Clackamas County
Pat Ritz, *Oregon Title*	Business community and major employers
Mindy Sullivan, *Oregon Title*	Business community and major employers
Vicki Thompson, *City of Gresham*	Cities of Multnomah County
Andree Tremoulet, *City of Gresham*	City of Gresham
Land Use and Regulatory Strategies Subcommittee *Charge:* Address and develop strategies for implementing the land use and regulatory approaches outlined in the Regional Framework Plan Policy 1.3 included in the H-TAC meeting packet of June 21, 1999.	
Chair: Jeff Condit, *Miller Nash*	Land-use professionals
Helen Barney, *Housing Authority of Portland*	Multnomah County Public Housing Authority
Liora Berry, *Cascade Aids Project*	Residents of affordable housing
Gail Brownmiller, *City of Hillsboro*	City of Hillsboro
Vince Chiotti, *Oregon Housing and Community Services*	Oregon Housing and Community Services Dept.
Doug Draper, *Genstar*	For-profit housing provider
Tasha Harmon, *Community Development Network*	Residents of affordable housing
Dave Lawrence, *City of Hillsboro*	Cities of Washington County
Doug McClain, *Clackamas County*	Clackamas County local government
Richard Ross, *City of Gresham*	City of Gresham
Mike Saba, *City of Portland*	City of Portland
Mindy Sullivan, *Oregon Title*	Business community and major employers
Steve Weiss, *Community Alliance of Tenants*	Residents of affordable housing
Regional Funding Subcommittee *Charge*: Develop options for the regional funding of affordable housing, considering possibilities outlined in the Regional Framework Plan as well as other ideas advanced by H-TAC.	
Co-Chair: Rob Drake, *Mayor, City of Beaverton*;	Metro Policy Advisory Committee
Co-Chair: Erik Sten, *Commissioner, City of Portland*	City of Portland
Vince Chiotti, *Oregon Housing and Community Services*	Oregon Housing and Community Services Dept.
Tom Cusack, *HUD*	Federal Housing Administration
Gary DiCenzo, *Clackamas County Housing Authority*	Clackamas County Public Housing Authority
Sheila Fink, *Community Partners for Affordable Housing*	Nonprofit affordable housing provider- Clackamas County
Margaret Nelson, *Key Bank*	Financing Institution
Doug Obletz, *Shiels, Obletz, Johnsen*	For-profit housing provider
Dave Summers, *Bank of America*	Financing Institution

2. LAND USE STRATEGIES

3. NON-LAND USE STRATEGIES

4. REGIONAL FUNDING REPORT

CHANGE IN TERMINOLOGY

The strategy reports included in this appendix were developed prior to the decision by H-TAC to change the term "fair share targets" to "affordable housing production goals" as described below and discussed in the main body of the RAHS on page 15.

CHANGE OF TERM

Affordable Housing Production Goals (Fair Share Targets)

H-TAC decided to replace the term "fair share targets" with "affordable housing production goals" because the latter conveys properly the region's cooperative effort towards achieving livable communities within our region.

Density Bonus: Land Use Tool

Finalized at the Land Use and Regulatory Subcommittee Meeting: October 20, 1999
Approved by H-TAC: November 15,1999

PURPOSE

To determine the "best practices" for the implementation of a density bonus for affordable housing units that could be recommended for implementation in the Metro region. As part of the Subcommittee analysis, program information was collected from jurisdictions implementing similar strategies.

DESCRIPTION

The density bonus is a land use incentive that allows the developer to construct more units than would otherwise be allowed in a specified residential zone in exchange for the provision of affordable housing units. The assumption is that with additional units the developer is able to achieve a higher profit level on the housing development. When density is increased, the marginal costs per unit are generally lower, since the land prices, soft costs, and foundation costs can be amortized over more units.

A density bonus could be used as an incentive for increasing the production of affordable housing units. Various restrictions may apply, such as the income level at which the units must be affordable, the time period when the "bonus" units must be developed, and design standards requiring affordable units to appear similar to the market-rate units.

Regional Issues Related to Density

Many affordable housing tools considered innovative in other states (outside of Oregon) are tools that may be taken for granted in Oregon. For instance, including a housing element in a comprehensive plan has been identified as an important step towards providing more opportunities to create affordable housing. Comprehensive plans, including a housing element, have been required in all Oregon cities and counties since the early 1970's.

Density is a tool that is used as an incentive to provide affordable housing in many jurisdictions outside of Oregon. In many cases, the underlying zoning does not allow for much multi-family or even smaller lot single family units. Allowing increased density in such cases may provide the developer with a needed incentive to produce more units. In other cases, high demand for multi-family housing and developers searching for economies of scale, density bonuses may provide the incentive to develop housing that may not otherwise make sense.

In the Portland metro area, efforts to meet the housing needs of the region within the existing urban growth boundary have led to more dense development standards than are to be found in many other places. The Metropolitan Housing Rule requires that all jurisdictions in the Metro region provide the opportunity for 50 percent of new housing to be multi-family. Metro's functional plan also mandates minimum and maximum density standards, whereas outside of this region many jurisdictions only identify a maximum density standard. These efforts have led to zoning in the region that does not provide much opportunity for a workable density bonus to serve as an incentive to development. In general, the underlying zoning already allows for as much density as the market (developers, buyers, and renters) will bear, with the exception of certain locations in the Metro region.

EXAMPLES OF DENSITY BONUS INCENTIVES

Clackamas County

Clackamas County has had provisions in the Zoning Ordinance since 1980 that allow an increase in density if affordable housing is provided. The percentage increase in density varies with the Comprehensive Plan category as follows:

- for low-density (single-family) zones, the incentive increase is up to five percent;
- for medium and high-density (multi-family) zones, the incentive increase is up to eight percent.

The increase is allowed at a rate of one additional unit per assisted housing unit provided, up to the maximum allowable density increase. The density bonus increase is allowed for:

> Low-Cost Housing: Living units qualifying and approved for housing for low-income families assisted or for the elderly under a federal, state or local program will be provided in the development. (Clackamas County Zoning and Development Ordinance, 1012-6).

The County has yet to have a housing project take advantage of the density bonus incentives, although they are currently in the pre-application conference stage with a potential developer who may be interested.

City of Portland

The City of Portland has provided density bonus incentives for elderly and disabled housing since 1993. The regulations allow for increased density in specific multi-family residential zones, and only apply to new developments and projects that involve major remodeling.

> These regulations provide opportunities to integrate housing for elderly and disabled citizens with other types of housing, and to increase the ability of the elderly and disabled to live independently and close to where services are generally available. (Title 33, Planning and Zoning, Chapter 33.229)

Projects in R3, R2, R1, and IR zones are allowed unlimited density as long as the project complies with the development standards of the base zone, accessibility standards, and the lot is at least 10,000 square feet. Projects in the RH zone are allowed to develop to a FAR (floor area ratio) of 4 to 1 if the same aforementioned conditions are met.

The units that are allowed through the density bonus program must be restricted to occupancy by households with a disabled member, or with a member aged 55 years or older. The units are restricted by a covenant with the city. The covenant includes occupancy restrictions, adaptable features in the units, installation of specialized equipment by the property owner, and rental requirements if no eligible applicants are on the waiting list. The covenant lasts for the life of the project.

A number of subsidized HUD 202 projects have utilized the density bonus allowed here, which has increased the supply of elderly and disabled housing in Portland. The city has not yet developed a density bonus for affordable housing.

City of Ashland

The City of Ashland has provided density bonus incentives for affordable housing since 1993 under the City's Land Use Ordinance. According to Title 18 (d) of the Ashland City Code:

> **Affordable Housing -** for every percent of units that are affordable, an equivalent percentage of density bonus shall be allowed. Affordable Housing bonus shall be for residential units that are affordable for moderate income persons in accord with the standards established by resolution of the Ashland City Council and guaranteed affordable through procedures contained in said resolution. Maximum bonus of 35%.

The units designated for affordable rental housing in developments that receive density bonuses under the above ordinance must be rented to households whose annual income does not exceed 80 percent of the median income for households in the area. This is called the "qualifying family income" and is determined each year by the City's Department of Community Development in accordance with data from the U.S. Department of Housing and Urban Development. The owner of such housing must sign a 20-year agreement with the City that guarantees these rent levels will not be exceeded and that the units will be rented only to qualifying families. This agreement also binds subsequent owners who purchase the rental housing within the 20-year period.

State of California

The California State Density Bonus Law (Government Code Section 65915 to 65918) was created in 1984 to offer a land use based option to facilitate the economic feasibility of affordable housing development. In 1989 the law was amended to require all cities and counties in the state to adopt density bonus ordinances.

The Density Bonus Law provides that local governments shall grant density bonuses as follows:
- at least 25 percent (over the otherwise maximum allowable residential density), plus an additional incentive(s) or equivalent financial incentives, to housing developers who agree to construct at least:
– 20 percent of the units affordable to lower-income households (60% MHI),
– 10 percent of the units affordable to very low-income households (50% MHI), or
– senior housing.
- The density bonus applies to developments with five or more units.

Developers receiving a density bonus must agree to ensure continued affordability of all the lower-income density bonus units for 30 years or longer if required by another program, but if the local government does not grant at least one additional incentive (not including the density bonus) the developer is only required to ensure affordability for 10 years.

The California State Department of Housing and Community Development provides a model density bonus ordinance to facilitate local government efforts to adopt and implement density bonus ordinances. Jurisdictions that refuse to provide a density bonus to developers planning a qualifying development can be legally held to the state requirement.

HOW SHOULD DENSITY BONUS INCENTIVES BE APPLIED?

Density bonus incentives could be used in some parts of the Metro region as an incentive to provide affordable housing developers an option to facilitate the development of rental units needed to meet fair share housing goals, as well as to provide homeownership units for first time homebuyers.

Density bonus of a varying percentage could be given to developers who agree to construct:
a) 20 percent of the units affordable to households at 31% - 50% MHI; or
b) 10 percent of the units affordable to households at less than 30% MHI; or
c) senior housing;
d) disabled housing; or
e) a certain percentage of for sale units affordable to households at 80% - 120% MHI.

Other requirements may also be tied to the affordable units allowed under a density bonus incentive, such as:
- either long-term or permanent affordability requirements for rental units;
- location: either the units could be interspersed with the market rate units, or it could be allowed to construct them at another location;
- time frame: the affordable units may be required to be constructed at the same time as the market rate units;

- design standards: the affordable units may be required to be of a similar design and layout as the market rate units.

POTENTIAL STRATEGIES

- *Local.* Encourage local jurisdictions to consider implementing a density bonus incentive to facilitate the development of affordable housing. Local jurisdictions could consider tying the amount of bonus provided to the targeted income group to encourage the development of affordable units to meet the housing needs of that income group.
- *Regional.* Develop a regionwide density bonus guideline and standards similar to that used in the State of California. Local jurisdictions would be expected to provide a density bonus if a developer agreed to provide a certain percentage of affordable units targeted to income groups outlined in fair share goals. However, local jurisdictions could implement the density bonus in a way that best fit local conditions.
- *First time homebuyer.* Include some type of density bonus to developers that provide opportunities for households earning less than 120% MHI to purchase homes.
- *Linkage to other strategies.* A density bonus for affordable housing units might be especially effective when linked to transit-oriented development.

OTHER CONSIDERATIONS

- The “density” factor is relatively unimportant in the basic decision-making process for developers in the Metro area, due to the fact that in general base zones provide enough density for current market demand. Questions such as financing are far more significant.
- In most cases, there is enough density provided by the base zone. In suburban areas like Clackamas County, developers have historically underbuilt, although the trend has changed in recent years as smaller lots have become more accepted and land prices have risen. A density bonus in this case is not an incentive, as long as developers believe that the market demand for density higher than what is already allowed does not exist.
- A density bonus may not be effective in encouraging the development of more affordable housing in the region except in specific circumstances. Using a density bonus to target specific populations, similar to Portland’s ordinance, may be more effective.

RECOMMENDATION FOR IMPLEMENTATION

Since a density bonus is tied to land use, Metro has the authority to implement regionwide density bonus incentives for affordable housing. However, due to reasons stated previously, a mandatory density bonus for affordable housing is not likely to be effective in this region. Thus, the subcommittee recommends that density bonus provisions be determined by local jurisdictions. A regional voluntary guideline or model ordinance for providing density bonus incentives may be considered by local governments in order to facilitate progress towards meeting the region’s fair share goals.

Strategies outlined below would help jurisdictions in the Metro region move towards meeting regional fair share goals.

A. Regional

1. Model Ordinance

Develop a regional density bonus voluntary guideline model ordinance, including a model ordinance, for varying percentages tied to certain income groups and permanent affordability. For example:

- 20 percent of the units affordable to households at 31% - 50% MHI; or
- 10 percent of the units affordable to households at less than 30% MHI; or
- senior or disabled housing;
- permanently affordable housing.

As noted above, a density bonus for affordable housing may not be effective in the region due to the high densities already required in the comprehensive plans for each jurisdiction. However, if local jurisdictions are not already maximizing available land capacity, they would be encouraged to provide a density bonus if a developer agreed to provide a certain percentage of affordable units targeted to income groups outlined in affordable housing production goals. However, local jurisdictions could implement the density bonus in a way that best fit local conditions.

2. First Time Homebuyer
Recommend that a density bonus proposal, whether local or regional, include some type of density bonus to developers that provide opportunities for households earning less than 120% MHI to purchase homes.

3. Best Practices
A compilation of "best practices" in implementing density bonus incentives should be compiled to enable jurisdictions to determine what models would work best locally.

B. Local
Encourage local jurisdictions to implement a density bonus incentive to facilitate the development of affordable housing. Local jurisdictions could consider tying the amount of bonus provided to the targeted income group to encourage the development of affordable units to meet affordable housing production goals.

FACTUAL INFORMATION

Clackamas County Zoning and Development Ordinance.

Memorandum from Doug McClain, Clackamas County Planning Director, *Density Bonus Incentives for Affordable Housing*, August 17, 1999.

City of Ashland Land Use Ordinance, Title 18.

City of Ashland, Resolution No. 93-39.

City of Portland Code. Title 33, Planning and Zoning, Chapter 33.229 Elderly and Disabled High Density Housing, updated July 1, 1997.

Chapter 4.3 Density Bonuses and Other Incentives, California Government Code, Sections 65915 – 65918, 1998.

Memorandum from Cathy Creswell, Program Manager, California Housing Policy Development Division, *Model Density Bonus Ordinance*, August 6, 1996.

Zoning for More Housing: Proposed Changes to San Francisco's Planning Code and Zoning Map, San Francisco Planning and Urban Research Association, http://www.spur.org, April 1998.

Replacement Housing: Land Use Tool

Finalized at the Land Use and Regulatory Subcommittee Meeting: February 2, 2000
Approved by H-TAC: February 14, 2000

PURPOSE

To prevent the involuntary displacement of low-income (<50% Median Household Income) residents from existing affordable housing which is lost from the inventory because of demolition, conversion, or price inflation. It is often part of a three pronged approach to deal with displacement that includes preservation and mitigation strategies. Preservation strategies, which can include long term affordability commitments, and mitigation strategies, which include tenant based relocation assistance, are discussed elsewhere. The focus here is on low-income housing replacement strategies. As part of the Subcommittee analysis, program information was collected from some jurisdictions implementing similar strategies.

DESCRIPTION

Briefly defined, replacement strategies require the restoration of lost housing units by, typically, an equal number of similarly sized, priced, and located units by an agency or individual deemed responsible for the loss of the original units. Such strategies can be broadly applicable or more narrowly associated with a particular funding source, geographic area, or a particular housing type.

In the purest example, a jurisdiction could require that all housing affordable to a defined income group must be replaced in kind by an entity engaged in public or private development that results in the loss of this protected housing. Such a strategy could mandate that the replacement housing match the lost units by location, size, cost, etc. Such a strategy could also require that the replacement housing be reserved for those households displaced from the original units.

EXAMPLES OF REPLACEMENT HOUSING PROGRAMS

In practice, replacement strategies typically have been more limited in scope. Examples of these strategies are described below.

A. By funding source

Federal Funding

The federal requirement that low-income housing demolished by CDBG funded activities be replaced by housing units with the same number of bedrooms, in the same or proximate neighborhood, and affordable to a comparable income household. This law pertains to all entitlement jurisdictions and was established to prevent the widespread demolition within low-income neighborhoods by publicly funded development activities, often as part of urban renewal programs, without the consequent redevelopment of replacement units.

In practice, this requirement can be met fairly easily if a jurisdiction limits publicly funded housing demolition and keeps adequate records of housing that has been built or rehabilitated using federal funds. The City of Portland has met this requirement by keeping records of housing built with federal funds and not using CDBG funds to demolish property.

Local Funding/Incentives

The City of Seattle requires any new construction project applying for property tax exemptions that is built on a site that contained four or more occupied dwelling units to replace any units that were rented to tenants receiving a tenant relocation assistance payment (Seattle Municipal Code 5.72.040). Additionally, the replacement units are required to be affordable at or below fifty percent of median income for the first ten calendar years of operation. The replacement units may be provided as part of the new construction, through additional units built at another location, through the substantial rehabilitation of vacant multifamily housing, or through the preservation of housing that is rented to tenants at fifty percent median income or less that would otherwise be converted. The enabling ordinance was passed in February 1999.

B. By location

In Minnesota there is a state requirement that the cities of a certain size (over 100,000 people) that adopt neighborhood revitalization programs must replace demolished housing in redevelopment areas with comparable housing units. This requirement applies to specific cities and designated redevelopment areas within these cities. Recent amendments to this law have excluded the replacement of housing that has been vacant for more than a year.

C. By housing type

The cities of Seattle and San Francisco have requirements that owners of existing single room occupancy (SRO) or residential hotels in their central cities replace units lost as a result of redevelopment by the owners. In Seattle, the original Housing Preservation Ordinance was held to be unconstitutional. Thus, in 1990 the Seattle City Council passed an ordinance requiring that tenants be provided with a relocation assistance payment.

San Francisco's Hotel Conversion Ordinance (HCO) has been in place since 1979, and has persevered through several legal challenges including a case as recently as 1997. The HCO prevents the conversion of existing residential hotel units to tourist hotel units without the one-to-one replacement of the units. The units must be replaced either by adding replacement units to San Francisco's residential housing stock, or by paying an amount equal to the costs of rebuilding an equal number of legal, comparable units.

The closest Portland has come to this practice was the since repealed requirement that existing SROs planned for demolition undergo a delay while the Portland Development Commission examines the financial feasibility of preserving the units and preventing their demolition. This requirement was replaced by an overall residential demolition delay for units on residentially designated sites.

D. Variations on the theme

An alternative to the replacement requirement has been the option for payment in lieu of actual development to an established housing development fund most often administered by the jurisdiction. The in lieu payment, typically figured on a per unit or on a floor area basis, is substantial in order to realistically fund the replacement of a number of new units equivalent to those lost.

Example of Mitigation/Preservation Strategy

The City of Hartford, Connecticut Municipal Code requires that owners of residential units to be demolished must contribute to a fund that aids in the "rehousing" of current tenants. If tenants occupy a unit, then they are entitled to a rehousing allowance of $2,500. However, if the housing has been vacant for 120 days or less, the owner will be required to make a contribution to the housing fund of an amount not less than $2,500 for each vacant residential unit in the building. Money that is deposited in the housing fund shall be used only for costs related to the preservation of housing. Hartford adopted the current ordinances in 1996, prior to that they had a specific housing preservation and replacement program.

OTHER CONSIDERATIONS

The major limitations on replacement housing strategies in their purest form, as described above, are their political controversy and legal uncertainty. As a recent example of political backlash, the fairly limited replacement components of Portland's Housing Preservation Ordinance ignited sufficient controversy to result in the passage of a State legislative prohibition on the assignment of per unit replacement fees for expiring Section 8 projects whose owners did not wish to sell to the City.

Regarding legal issues, contradictory court decisions have resulted from challenges to replacement ordinances enacted in various cities. The challenges cite the unfair assignment of responsibility for a community wide problem to individual owners of low-income housing; that such strategies constitute a tax on the owners beyond the legal authority of a local government; and a general accusation of taking by the government. It is not known how such a strategy would fare in Oregon courts.

In a discussion of recommended replacement housing strategies before HTAC, members expressed concern that such a strategy not result in a "changing of the rules" for property owners by imposing regulations that limit or negate the uses of the property allowed under current zoning. In considering this concern, Subcommittee members stress that the recommendation pertains to zone changes requested by the property owner which would result in a loss of existing affordable housing. The Subcommittee suggests that adopting replacement housing criteria as art of the review process for considering a zone change or Plan Map amendment would not be a change in rules when the change in zoning is sought by the property owner.

Subcommittee members expressed concern that Section 8 Vouchers not be viewed as an adequate replacement housing strategy since these depend on individual household qualification rather than ensuring a new unit of housing added to the region's affordable housing stock.

POTENTIAL STRATEGIES

Recommend a Regional Replacement Housing Strategy

Metro's authority over the non-land use functions of local government is limited. However, a regional strategy recommending a replacement housing commitment tied to specific funding sources could be part of the Regional Affordable Housing Strategy. Such a program arrangement would be understood as a component of a funding agreement and expressed in a mutually agreeable contract between funder and developer. The effect of this commitment on the pool of potential applicants for funding would have to be considered.

Replace Housing Lost in Urban Renewal Areas

Local jurisdictions could consider developing policies to prevent the loss of affordable housing through demolition in urban renewal areas by implementing a replacement housing ordinance specific to urban renewal zones.

A Land Use Alternative: No Net Loss

A variation on this theme is employed locally and based on land use law. This is Portland's No Net Loss Housing Policy 4.2 that imposes a replacement obligation on applicants for Comprehensive Plan Map amendments from a residential to a non-residential Plan designation. This policy requires the replacement of lost housing potential through on or off-site development of a minimum number of units **or** the rezoning of another site that replicates the residential development potential removed by the approved Plan amendment. In theory, this preserves the planned housing unit capacity of the jurisdiction as a whole.

The limitations of this policy for the purposes of affordable housing preservation are several and include:

- the policy merely preserves planned housing potential rather than guaranteeing replacement of lost housing;
- the policy does not pertain strictly to low-income housing; and

- the requirement can be met by drawing from a “housing pool” designed to assist existing small businesses that need local expansion opportunities and can demonstrate increased job opportunities.

However, the policy has achieved its primary goal to discourage the widespread loss of housing development potential through incremental Plan Map amendments and, because it is founded on Oregon’s growth management law, it is worth considering as a more focused affordability tool by Metro and local jurisdictions.

RECOMMENDATIONS FOR IMPLEMENTATION

Metro does not have the authority to require local jurisdictions or other government entities to adopt a replacement housing ordinance. However, a regional recommendation that affordable units that are lost be replaced could be included in the functional plan for voluntary adoption by local governments.

A No-Net-Loss housing policy approach for local jurisdiction review of comprehensive plan changes focused on affordable housing would be based on land use and would therefore fall under Metro’s land use authority. Possible strategies are outlined below.

Regional

1. Regional Recommendation to Adopt Replacement Housing Strategies

Include replacement housing strategies as part of a menu of voluntary affordability tools in the Regional Affordable Housing Strategy plan. Jurisdiction’s replacement strategies that are closely associated with a specific funding source may have the most chance of success.

2. No Net Loss Housing Policy

Encourage the use of a No-Net-Loss Housing Policy for local jurisdictional review of requested quasi-judicial Comprehensive Plan Map amendments with approval criteria that would require the replacement of existing low-income housing that would be lost through the Plan Map amendment. The Subcommittee members are sensitive to the concern that this strategy not result in a “changing of the rules” for property owners by imposing regulations that unreasonably limit or negate the uses of the property allowed under current zoning. This recommendation pertains to zone changes requested by the property owner that would result in a loss of existing affordable housing. Adopting the replacement housing criteria as part of the review process for considering a quasi-judicial zone change or Plan Map amendment would not be a change in the rules when the change in zoning is sought by the property owner.

Local

1. Replace Housing Lost in Urban Renewal Areas

Local jurisdictions could consider developing policies to prevent the loss of affordable housing through demolition in urban renewal areas by implementing a replacement housing ordinance specific to urban renewal zones.

FACTUAL INFORMATION

City of Hartford, Connecticut. Municipal Code. Article IV. Rehousing Assistance Program.

City of Portland. Housing Preservation Ordinance, 1998.

City of Portland Municipal Code. Title 33, Planning and Zoning; Chapter 33.810, Comprehensive plan Map Amendments. (No Net Loss Housing Policy).

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Minnesota Statutes. Economic Development Chapter, Section 469.201, 1998.

Inclusionary Housing/Zoning: Land Use Tool

Finalized at the Land Use and Regulatory Subcommittee Meeting: January 13, 2000
Approved by H-TAC: February 14, 2000

PURPOSE

To evaluate options for the implementation of inclusionary zoning or housing programs to increase the production of affordable housing that could be recommended for implementation in the Metro region. As part of the Subcommittee analysis to reach conclusions, program information was collected from jurisdictions implementing similar strategies.

DESCRIPTION

Inclusionary zoning (or inclusionary housing) is the term most frequently used to describe a wide variety of techniques that link construction of low- and moderate-income housing to the construction of market rate housing. Typically, the lower-income units are included in an otherwise market-driven development. The principal objective of inclusionary housing is to increase the supply of affordable housing while also fostering greater economic integration.

Inclusionary housing can be defined as a city or countywide mandatory requirement or voluntary objective that assigns a percentage of housing units in new residential developments with a specified minimum number of units, to be sold or rented to lower- or moderate-income households at an affordable rate (usually below the market rent).

Most inclusionary housing programs, whether voluntary or mandatory, rely on a combination of incentives to ensure that affordable units are constructed. Some incentives frequently used in conjunction with inclusionary housing programs include density bonuses, financial subsidies, development fee waivers, option to produce inclusionary units off site, relaxed development standards, reduced impact fees, and donations of land or fees in lieu of providing affordable units.

Legal Issues in Oregon

The Oregon State Legislature passed and the Governor signed House Bill (HB) 2658 in the 1999 legislative session. The bill amends ORS Chapter 197.295 to 197.313 to add the following provisions:

> (1) Except as provided in subsection (2) of this section, a city, county or metropolitan service district may not adopt a land use regulation or functional plan provision, or impose as a condition for approving a permit under ORS 215.428 or 227.178, a requirement that has the effect of establishing the sales price for a housing unit or residential building lot or parcel, or that requires a housing unit or residential building lot or parcel to be designated for sale to any particular class or group of purchasers.
>
> (2) Nothing in this section is intended to limit the authority of a city, county or metropolitan service district to adopt or enforce a land use regulation, functional plan provision or condition of approval creating or implementing an incentive, contract commitment, density bonus or other voluntary regulation, provision or condition designed to increase the supply of moderate or lower cost housing units.

This bill has the effect of prohibiting mandatory inclusionary housing programs, as such a program would have “the effect of establishing the sales price…or…requir[ing] a housing unit to be designated for sale to…a particular class.”

Local Land Use Attorney Analysis

On November 9, 1999, a group of local government land use lawyers in the Metro region met at Miller Nash LLP to discuss the scope of HB 2658. Attending were Larry Shaw, Assistant Metro

General Counsel; Rick Faus, Deputy Gresham City Attorney; Evan Boone, Deputy Lake Oswego City Attorney; Peter Kasting, Senior Assistant Portland City Attorney; and Alan Rappleyea, Assistant Washington County Counsel. All have significant experience in the area of local land use planning. Following are some of the thoughts, ideas and conclusions that came out of this meeting.

The Issue: The H-TAC Land Use and Regulatory Subcommittee's chief concern has been over the breadth of Subsection 1 of the new law, particularly the prohibition against a land use regulation or condition that "has the effect of establishing the sales price" of a unit of housing. The subcommittee was worried that a broad reading could effectively prevent any local regulation that had the effect of requiring housing at affordable levels.

Analysis: The lawyers concluded that the prohibition is not as broad as the subcommittee had feared.

The Supreme Court has established a three-level test for statutory construction: *PGE v. Bureau of Labor and Industries*, 317 Or. 606, 859 P.2d 1143 (1993). First, you look to the text and context of a provision, next to legislative history, and lastly to the legal maxims of statutory construction. The Subcommittee's concern focused on the phrase "have the effect of," reasoning that almost any zoning regulations can have an effect on price. The lawyers focused on the phrase "establishing the sales price." The dictionary definition of "establish" is to make firm or fixed. Thus a requirement "that has the effect of establishing the sales price" is one that directly or indirectly fixes the actual price at which a dwelling unit must be sold. The lawyers reasoned that a regulation that reduces or affects the price in less determinable way, such as mandatory minimum density or a maximum square footage requirement, does not "establish a sales price."

The context supports this reading of the text. Subsection (2) limits the scope of subsection (1) to clearly permit regulations that "establish a sales price" or require sale to a particular income class as long as the regulation is contractual, attached to an affordable housing incentive, or attached to some other voluntary regulatory structure.

In addition, the HB 2658 provisions were specifically added to ORS 197.295 to 197.313, which generally require local governments to assure that there will be adequate needed housing. HB 2658 did not amend ORS 197.303, which defines "needed housing" as "housing types determined to meet the need shown for housing within an urban growth boundary at particular price ranges and rent levels." HB 2658 also did not amend ORS 197.296, which requires a local government to amend its zoning regulations to ensure that its identified need is met. See ORS 197.296(4)(b), (5). Finally, it did not change ORS 197.307(1) which states that "availability of affordable, decent, safe and sanitary housing opportunities for persons of lower, middle and fixed income…is a matter of statewide concern. If the legislature had intended HB 2658 to be broadly prohibitory of regulations designed to require or ensure that affordable housing is provided, these provisions would have been substantially amended.

Although it is not necessary to refer to legislative history if the text and context is clear, the legislative history is also helpful in concluding that HB 2658 was intended to have a relatively narrow reach. The most extensive recorded public testimony on the bill occurred at the February 25, 1999, meeting of the House General Government Committee meeting, chaired by Rep. Carl Wilson. John Chandler and Wendie Kellington spoke for the bill's sponsor, the Oregon Building Industry Association (OBIA). They made it clear that the bill was intended to target classic inclusionary zoning – regulations that require a developer of a subdivision or multi-family housing project to set aside a certain percentage of housing units for sale at a fixed below-market price or to a specific income class. Testimony from another OBIA member, Larry Medinger, further clarified that the bill was not intended to affect inclusionary requirements tied to voluntary incentive-based programs, possibly leading to the development of Subsection 2 of the new law.

Possibilities without HB 2658

The subcommittee did not spend much time talking about the potential value of mandatory inclusionary zoning (which would require the removal or modification of HB 2658) since figuring out what was possible under the limitations of HB 2658 was so time consuming. Subcommittee members expressed varying opinions on imposing mandatory regionwide inclusionary zoning, however there was consensus at the subcommittee level that local jurisdictions should have the option to impose mandatory inclusionary zoning. Mandatory inclusionary zoning could be useful if it becomes clear after a reasonable period of time that voluntary measures are not being used or are not working. The subcommittee recommends that mandatory inclusionary zoning be included on the list of tools that might be explored in the future if the region or a local jurisdiction is falling short of its goals, noting that action could be taken to try to remove or modify HB 2658.

EXAMPLES OF INCLUSIONARY HOUSING PROGRAMS

Regional Inclusionary Housing Programs

State of California

California State law requires that local jurisdictions prepare housing elements that provide a plan to accommodate the existing and projected housing needs for residents at all income levels. (Section 65583 of California State Code). In response to this requirement, many jurisdictions in the State of California have developed inclusionary housing programs. According to a study completed in 1998, a majority (69 percent) of inclusionary housing programs implemented by local governments are mandatory, requiring developers to meet the terms of the program. However, several programs are voluntary, providing incentives to developers willing to include affordable units in market rate developments.

Voluntary inclusionary housing programs focus on providing incentives that will encourage developers to provide affordable housing units. A developer is free to take advantage of the incentives or not to use them and provide no affordable units. Voluntary inclusionary housing ordinances usually include a requirement that the developer meet a threshold requirement prior to taking advantage of any incentives. Such programs are typically only applicable to developments of a certain size, and may apply to both rental and for-sale housing units.

State of New Jersey

The New Jersey program is mostly used as a tool for the fair share distribution of affordable housing, and is a unique approach driven by the judicial system. However, it is useful to consider the approach.

Inclusionary housing programs in New Jersey have been driven by the landmark 1983 *Mount Laurel II* decision. The court-inspired solution to the problem of exclusionary housing has forced many unwilling jurisdictions and the state government to tackle social and racial integration through land use laws. Since 1985 the New Jersey Council on Affordable Housing (COAH) has imposed detailed state regulations that govern the scope, character and other key features of inclusionary development throughout the state. While inclusionary housing is not explicitly required under state law, the ramifications of the *Mount Laurel* decision that provide a “builder’s remedy” have led to inclusionary housing laws in most local jurisdictions in New Jersey.

The Council on Affordable Housing (COAH), under direction from the state legislature, created a process of certification for municipalities that developed acceptable fair-share inclusionary housing plans. The certification process, although it is voluntary, carries a substantial incentive for local governments by granting municipalities certified by COAH protection from exclusionary zoning suits for a period of six years. Thus, local governments are provided with a measure of predictability in seeking to address their legal obligations to provide their fair share of affordable housing.

Voluntary Inclusionary Housing Programs

City of Camarillo, California

The City of Camarillo has adopted a voluntary inclusionary housing program to further enable the city to meet the housing needs of its residents. The city adopted Chapter 19.49 Density Bonus and Other Incentives to "further encourage the provision of such housing by providing a density bonus or equivalent incentive." To be eligible for the incentives provided under city code, developers must comply with terms outlined by the city and enter into an appropriate agreement.

To qualify for a density bonus and other incentives, a developer must provide:

- at least 20% of total units for lower income households; or
- at least 10% of total units for very low income households; or
- at least 50% of total units for seniors.

The density bonus allowed is 25% over the otherwise allowable residential density, and incentives include but are not limited to:

- a reduction in site development standards, modification of zoning code requirements or architectural design requirements that exceed the minimum building standards adopted by the city; and
- other regulatory incentives or concessions proposed by the developer or the city that result in identifiable cost reductions.

The city also requires specific affordability periods depending on the combination of density bonus and incentives received by the developer. The property owner is required to enter into an agreement with the city that requires that restricted units remain available to qualified households for the required period of time. This "affordable housing agreement" must be approved by the city attorney and the agreement runs with the land.

City of Orange, California

The City of Orange provides incentives to developers for the production of lower income housing units to meet the affordable housing goals of the city's housing element. Chapter 17.14.340 – 17.14.420 of the city's municipal code describes the affordable housing program adopted by the city. The code applies only to qualifying housing developments, which are defined as new construction of rental or for-sale housing developments consisting of five or more dwelling units that include:

- at least 10% of the total units are for "very low income" households, or
- at least 20% of the total units are for "lower income" households.

A developer that meets the above requirements is entitled to a density bonus of at least 25% over the maximum allowable density and one additional incentive. The additional incentive may include any of the following:

- a reduction in one site development standard that exceeds the minimum State building code requirements such as lot coverage, frontage, or depth, building setback or height, or a substitution of covered parking for enclosed parking, public recreational amenities for private open space;
- allow for mixed use in conjunction with the housing development on properties zoned for commercial, office, or industrial use;
- a regulatory incentive or concession resulting in identifiable cost reductions such as a reduction, waiver, or reimbursement of planning review fees, development fees, or building plan check and permit fees;
- allow for a density bonus greater than 25% or more than one regulatory incentive provided a higher percentage of units are designated as affordable;
- other incentives of equivalent financial value based upon the land cost per dwelling unit.

The city requires that the affordable units are distributed throughout the project and that they include a mixture of unit types and amenities similar in character to the entire project. The city also requires that the developer sign a written agreement with the city that identifies the affordable units, includes a term of affordability, determines the maximum allowable rent or sales price, and outlines a monitoring program to ensure affordability throughout the length of the agreement.

Mandatory Inclusionary Housing Programs

Montgomery County, Maryland

In 1974 the Montgomery County Council introduced legislation in response to the shortage of affordable housing in the county, the Moderately Priced Housing (MPH) Law. This legislation addressed both inclusionary zoning and density allowances. It proposed that builders of most residential housing make a portion of the housing units available at below-market rate sales prices or rental rates. This program is believed to be the first mandatory inclusionary zoning law that specified a density bonus allowance to builders for providing affordable housing. The density bonus was included as a method of avoiding constitutional takings.

A provision of MPH Law required that between 12.5 percent and 15 percent of the houses in new subdivisions of 50 or more units be moderately priced dwelling units (MPDUs). The law is applicable to property zoned one-half acre or smaller. Subdivisions in large lot zoning categories, which are not normally served by public water and sewer, are exempt from the requirement because higher densities are considered difficult to achieve when installing well and septic systems. The zoning ordinance allows a density increase of up to 22 percent above the normal density permitted in the zone. The law also requires that 40 percent of the MPDUs be offered to the Housing Opportunities Commission (HOC) and other nonprofit agencies for use by low and moderate-income families.

The county imposes restrictions on the resale and occupancy of the MPDUs for a period of 10 years. After the time restriction expires, there is a split between the county and the owner of any "windfall" profit obtained through the sale.

The goals of the MPDU program are:

1. To produce moderately priced housing so that County residents and persons working in the County can afford to purchase or rent decent housing;
2. To help distribute low and moderate-income households throughout the growth areas of the County;
3. To expand and retain an inventory of low-income housing in the County by permitting the Housing Opportunities Commission (HOC) and recognized nonprofit housing sponsors to purchase up to 40 percent of the affordable units (HOC is limited to one-third);
4. To provide funds for future affordable housing projects by sharing the windfall appreciation when MPDUs are first sold at the market price after expiration of the resale price controls. (Montgomery County).

The MPH Law has fostered the production of over 10,000 affordable housing units. Housing constructed as MPDUs now constitutes approximately three percent of the total housing stock in Montgomery County. The program also contributes to the economic and racial integration of the county through marketing to a diverse group. A limitation of the MPDU program is its reliance on a strong residential construction market to create affordable housing.

City of Bellevue, Washington

The City of Bellevue enacted a mandatory inclusionary housing program under the mandate of the State Environmental Policy Act and Washington State's Growth Management Act that required cities to consider the housing needs of all economic segments of the community. The inclusionary housing requirements apply to all new residential development, all subdivisions, and all rezone applications. Requirements are outlined below.

1. **Multifamily Development:** At least 10% of the units in all new multifamily development proposals of ten units or greater must be affordable units. In addition, one bonus market rate unit is permitted for each affordable unit provided, up to 15% above the maximum density permitted in the underlying zoning district.
2. **Subdivision Development:** At least 10% of the units in all new subdivision proposals of ten lots or greater must be affordable units. In addition, one bonus market rate unit is permitted for each affordable unit provided, up to 15% above the maximum density permitted in the underlying zoning district.
3. **Rezones:** All rezone proposals for an increase in residential zoning density must provide that at least 10% of the units buildable under the original maximum density be affordable units and that at least 20% of the units buildable as a result of the increase in density from the original maximum density to the total number of approved units must be affordable units. In addition, one bonus market rate units is permitted for each of the affordable units provided to meet the minimum 10% requirement of the original maximum density, up to 15% above the original maximum density. (Bellevue Municipal Code, 20.20.128).

HOW SHOULD AN INCLUSIONARY HOUSING PROGRAM BE APPLIED?

Mandatory inclusionary housing programs are currently illegal in the State of Oregon. However, a voluntary inclusionary housing program tied to a menu of incentives that are optional for a developer probably does not violate the provisions in HB 2658. A voluntary inclusionary housing program could be used in the Metro region as formal method of providing developers with incentives to facilitate the development of affordable units in conjunction with market rate housing development.

Incentives

Developers could be allowed to choose from a menu of incentives once entering into an agreement to provide the affordable units. Incentives may include:

- a density bonus;
- a reduction in one site development standard that exceeds the minimum State building code requirements such as lot coverage, frontage, or depth, building setback or height, or a substitution of covered parking for enclosed parking, public recreational amenities for private open space;
- allow for mixed use in conjunction with the housing development on properties zoned for commercial, office, or industrial use;
- a regulatory incentive or concession resulting in identifiable cost reductions such as a reduction, waiver, or reimbursement of planning review fees, development fees, or building plan check and permit fees;
- allow for more than one regulatory incentive provided a higher percentage of units are designated as affordable;
- other incentives of equivalent financial value based upon the land cost per dwelling unit.

Developers of new construction in housing projects of more than 5 units may be provided with incentives if they agree to provide a certain percentage of:

a) units affordable to households at 31% - 50% MHI; or
b) units affordable to households at less than 30% MHI; or
c) senior housing; or
d) disabled housing; or
e) for sale units affordable to households at 80% - 120% MHI.

Other requirements that may be tied to a voluntary inclusionary housing program are:

- either long-term or permanent affordability requirements for rental units;

- location: the units could be interspersed with the market rate units, or it could be allowed to construct them at another location;
- time frame: the affordable units may be required to be constructed at the same time as the market rate units;
- design standards: the affordable units may be required to be of a similar design and layout as the market rate units.

POTENTIAL STRATEGIES

- *Local.* Encourage local jurisdictions to consider implementing a voluntary inclusionary housing program to facilitate the development of affordable housing.
- *Regional.* Develop a regionwide voluntary inclusionary housing guidelines and performance standards.
- *Linkage to other strategies.* A voluntary inclusionary housing program might be most effective when combined with key incentives, especially those that reduce the costs of developing and providing affordable housing.

Analysis of Tools Under HB 2658 by the Local Land Use Attorney Analysis

1. <u>Mandatory legislative or quasi-judicial requirements that a developer set aside a certain portion of units/lots in a development to sell to a certain income class or at a specific below-market price</u>. Such regulations are clearly prohibited by HB 2658, unless tied to a voluntary application for an incentive by the property owner (see discussion below).

2. <u>Mandatory consideration of the impacts on affordable housing as a criterion for any legislative or quasi-judicial zone change, or could be potentially expanded to include the approval of a conditional use permit for a non-residential use in a residential zone</u>. The consensus was that such regulations would be allowable under HB 2658. Such regulations do not set price or require sale to a particular income class. Rather, they require the consideration of negative impacts on affordability generally. The test would not be qualitatively different from considering the impact of a change on needed housing and the mix of housing types currently required under Goal 10 and state statute.

   Local governments would need to be careful when crafting the review criteria to implement this concept that they do not create a de-facto mandate for inclusionary zoning of the type prohibited by HB 2658. Application for a zone change, however, is a voluntary act by the property owner – in essence the applicant is asking the local government to change the rules to allow the applicant to develop in a manner not allowed under the existing zoning. To the extent that such zone change negatively impacts affordable housing, denial of the zone change or imposition of a condition requiring the loss to be mitigated would not violate HB 2658 – the applicant can avoid the condition by developing under the existing zoning. Indeed, because "permits" are expressly differentiated from "zone changes" in ORS 215.428 (counties) and 227.178 (cities) the HB 2658 prohibitions on attaching "inclusionary zoning" conditions on the former may not be applicable to the latter.

   Imposing such a review process on conditional use permits would require more care, because a conditional use is use allowed under existing zoning and is a "permit" as used in ORS 215.428 and 227.178, and so direct "inclusionary zoning" conditions would be prohibited by HB 2658. The rational for an "affordable housing" impact review for a conditional permit would be instead based on the nature of such permits and could be implemented by tools other than those prohibited by HB 2658. A "conditional use" under most zoning codes is a use allowed in the zone, but which requires a review process to ensure that approval does not negatively impact primary permitted uses in the zone. A conditional use permit can be approved if will not negatively impact the primary uses or if the impacts can be mitigated by the imposition of conditions. In most codes, conditional use permits can be denied if such impacts cannot be adequately mitigated. Since housing in general is the permitted use in a residential zone, adding a condition that would require review for impacts on affordable housing would be justifiable. Such a permit could be denied if those impacts were unacceptable.

Another variation on this theme that would not run afoul of HB 2658 would be to adopt zone change criteria making it easier to obtain a zone change if an applicant can demonstrate that the change would have positive impact on needed affordable housing. For example, many comprehensive plans require applicants for a zone change to demonstrate that a substantial change in circumstances has occurred since the existing zoning was imposed, and/or require a demonstration that the change will better implement the Comprehensive Plan. A local jurisdiction could adopt an alternate criterion that would permit the zone change if the applicant constructed X% of the project at affordable levels. This type of criterion would essentially create an incentive to propose an inclusionary project to avoid the more subjective and problematic standard zone change criteria. To any degree that zone changes fall within the HB 2658 prohibition, this approach would thus fall within the Subsection 2 "incentives" exception.

3. Enactment of "Fair Share" affordable housing targets/goals/benchmarks. Fair share targets are not prohibited by HB 2658. In essence, Metro's determination of the "Fair Share" targets is a determination of the regional need for a particular type of "needed housing." Such a determination is not only authorized by ORS 197.296, it is mandated, as are regulations to achieve the targets. ORS 197.296(5). As noted above, this regulatory structure is unchanged by HB 2658.

4. Designation of certain urban growth boundary or urban reserve territory for affordable housing. To the extent that a general legislative designation would require development of the property for housing at a particular price or for sale to a particular income class, it would violate HB 2658. To the extent that the designation occurred at the request of a property owner that based its application on a "special need" to provide affordable housing and whose property would not otherwise qualify for inclusion in the UGB or urban reserve, such a zoning designation is arguably a voluntary incentive under HB 2658(2). Mandatory inclusionary housing conditions could be imposed (see discussion on incentive-based programs, below).

5. Mandating construction of affordable housing based upon housing characteristics, rather than price or income levels of purchasers. Such regulations would not violate HB 2658. Examples include: Mandatory minimum densities; Maximum square footage limits; single garage requirements; a mandatory percentage of granny flats; requiring certain percentages of attached or multifamily development; and similar regulations. Such requirements would tend to increase the supply of affordable housing but would not establish a sales price or require the units to be sold to a particular income class. This would expand housing choices and opportunities in the region, but probably will not by itself address the needs of households below 50 percent of the median household income.

6. Mandates tied to incentives. HB 2658(2) clearly authorizes the imposition of mandates, including price and income-based requirements, if such mandates are tied to a voluntary incentive program. The key is that application for the incentive has to be voluntary on the part of the developer. Examples include:
   a. Money: Inclusionary requirements can be attached to local government funding. For example, the fund could be used as a tool to encourage mixed-income projects and to encourage more market-rate developers to participate in the production of affordable housing.
   b. Applications for inclusion in the Urban Growth Boundary: See discussion above (#4).

c. Redevelopment Agreements. In urban renewal districts that include housing, mandatory inclusionary housing can be tied to redevelopment agreements for public investment, use of condemnation power, and/or financial support.
d. Regulatory incentives. Examples include SDC deferral, relaxation of design requirements (e.g. setbacks, infrastructure design standards, lot coverage, FAR, parking requirements, height limits)[1], density bonuses, use bonuses, and fee waivers.[2]
e. Property tax abatements/deferral.
f. Priority/expedited application processing.[3]

OTHER CONSIDERATIONS

- Inclusionary programs may reduce potential opposition from neighbors expressing NIMBY (not-in-my-back-yard) concerns. Under an inclusionary housing program, lower income units are often constructed and occupied concurrently, so there are no pre-existing organized groups to oppose the affordable units.
- Developers tend to oppose inclusionary housing programs for several reasons. First, many see it as a governmental interference in their business of providing housing. Secondly, developers argue that the losses they incur by providing below market rate housing are passed on to the purchasers or renters of market rate housing in the form of higher prices, decreasing housing affordability for middle income people.
- Linkages: The prohibition of direct mandatory inclusionary housing by HB 2658 increases the need to develop a regional funding source and regulatory incentives to achieve the region's affordable housing (fair share) goals.
- One of the important values of inclusionary housing programs is the ability to decrease concentrations of poverty and increase the mix of incomes in new developments.

RECOMMENDATION FOR IMPLEMENTATION

Since a voluntary inclusionary housing program could be tied to land use, Metro has the authority to implement a regionwide voluntary inclusionary housing program for affordable housing. However, due to differences in housing needs and development standards across the region, the incentives needed to create a successful program are not likely to be the same in all jurisdictions. Thus, the subcommittee recommends that voluntary inclusionary housing programs, especially the type of incentives that are offered, be determined by local jurisdictions. A regional voluntary guideline or model ordinance and performance standards for a voluntary inclusionary housing program should be developed in order to facilitate progress towards meeting the region's affordable housing goals. However, a loophole may exist in that there is nothing to preclude a buyer from buying at a low rate, then turning around and selling at a higher rate. One way to mitigate this is to combine an inclusionary housing program with long term or permanent affordability requirements, such a restriction on the deed that recaptures a portion of the equity or a community land trust model.

[1] Any relaxation of design requirements has to be carefully balanced against the policies that such requirements are designed to achieve – typically compatibility with the surrounding neighborhood. Relaxation of some design requirements may increase neighborhood resistance to an affordable project, having the effect of reducing costs in one area (construction, unit density), but increasing them in another (appeals, contested applications).
[2] Any regulatory incentives proposed by Metro must be carefully crafted to accommodate other limitations applicable to local programs (e.g., bond covenants prohibiting waiver of fees or discounted service).
[3] Cities and counties are subject to statutory deadlines for action on land use applications (ORS 215.428, 227.178). Violation of these deadlines enables an applicant to go to court to compel approval – and have their attorney fees paid. Most local governments struggle to meet these deadlines under current law. Expediting applications for affordable housing projects could have the effect of increasing costs for local governments by requiring higher staffing levels, or by delaying other applications and thus inviting litigation. Local jurisdictions could first look to reducing the level of review (from Type III to Type II, for example) for affordable projects.

Strategies outlined below would help jurisdictions in the Metro region move towards meeting regional fair share goals.

A. Regional

1. Voluntary Inclusionary Housing Guideline and Model Ordinance

Develop a regional voluntary inclusionary housing guideline, including a model ordinance, for varying percentages tied to certain income groups and permanent affordability. Developers of new construction in housing projects over a certain size may be provided with incentives if they agree to provide a certain percentage of:

- units affordable to households at 31% - 50% MHI; ***OR***
- units affordable to households at less than 30% MHI; ***OR***
- senior or disabled housing.

However, local jurisdictions could implement a voluntary inclusionary housing program in a way that best fits local conditions.

2. Tie Inclusionary Housing Requirements to a Regional Fund

If a regional funding source is established, some of the funds could be used as a tool to encourage mixed income projects and to encourage more market-rate developers to participate in the production of affordable housing.

3. Consider Inclusionary Housing when Amending the Urban Growth Boundary

Decisions on the designation of certain urban reserve areas and urban growth boundary expansions currently allow for consideration of special land needs such as for affordable housing. However, no enforcement mechanisms are in place. One possible strategy could be if a developer applies for inclusion in the urban growth boundary based on a special need for affordable housing, the decision should be conditioned on inclusionary zoning requirements.[4]

4. Best Practices

A compilation of "best practices" in implementing voluntary inclusionary housing programs should be compiled to enable jurisdictions to determine what models would work best locally.

B. Local

1. Voluntary Inclusionary Housing Program Tied to Incentives

Encourage local jurisdictions to implement a voluntary inclusionary housing program to facilitate the development of affordable housing, using the regional voluntary inclusionary housing guideline and model ordinance. Local jurisdictions could consider tying a variety of incentives to the targeted income group to encourage the development of affordable units to meet affordable housing production goals.

2. Zoning requirements that lead to affordable housing

Encourage local government housing requirements such as minimum densities, maximum square footage limits, single-car garage requirements, percentage of accessory dwelling units, percentage of attached or multi-family development, which tend to result in affordable housing.

3. Tie Inclusionary Housing Requirements to Zone Changes

Encourage local governments to consider the impacts on affordable housing as a criterion for any legislative or quasi-judicial zone change, which could potentially be expanded to include approval of conditional use permits for a non-residential use in a residential zone.

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[4] The Subcommittee expressed concern that this strategy could become a tool to enable poor land use planning. Implementation of this strategy may require coordination between Metro and local governments to ensure that affordable housing is developed (e.g., development agreements, etc.).

4. Tie Inclusionary Housing Requirements to Urban Renewal Zones

Encourage local governments, when creating urban renewal districts that include housing, to tie inclusionary zoning requirements to redevelopment agreements for public investment, use of condemnation power, and/or financial support.

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Transfer of Development Rights: Land Use Tool

Finalized at the Land Use and Regulatory Subcommittee Meeting: January 5, 2000
Approved by H-TAC: January 24, 2000

PURPOSE

To examine the use of transfer of development rights (TDRs) as a regulatory strategy for the preservation, production, or replacement of affordable housing and to determine the utility of this regulatory strategy in the context of Metro's Regional Affordable Housing Strategy. This paper defines the concept, provides some examples, and recommends approaches that H-TAC may propose to Metro. As part of this subcommittee analysis, program information was collected from jurisdictions implementing similar programs.

DESCRIPTION

The simplest definition of a TDR regulation is a zoning strategy designed to direct development from one site to another in order to preserve a publicly valued resource. Examples of such a resource include agricultural land; natural environments such as coastal mountain ranges, forests, wetlands; historic structures; cultural institutions; or affordable housing. The premise is that the excess development rights that would otherwise encourage the destruction or redevelopment of the resource at the "sending" site constitute a marketable commodity that can be sold to a "receiving" site that places a value on additional development density. Within this regulatory framework the public benefits derived by the preservation of the resource work in concert with private goals of greater return on investment generated by increased development opportunity at the receiving site.

The bundle of development rights are usually expressed as the additional air rights granted under existing zoning to a structure or site which does not currently take advantage of these rights. These potential development rights such as additional height or floor area or housing units may pose a threat to the current land use that the zoning authority may wish to preserve. By allowing the marketability of these excess rights, it is hoped that the transferable value of this development potential may be an incentive to preserve the current land use.

TDRs are distinguished from floating development rights such as those associated with planned unit developments (PUDs) in which development permitted under the base zone can be clustered or dispersed on contiguous and commonly owned sites in order to preserve open space, protect environmental resources, carry out transit orientation policies or take advantage of physical infrastructure efficiencies. TDRs, on the other hand, typically involve separate sites under separate ownership.

EXAMPLES OF TRANSFER OF DEVELOPMENT RIGHTS

Most examples of TDRs pertain to the preservation of farmland or natural resources. However, there are some examples designed for the preservation of low-income housing.

City of Seattle

According to a 1989 Urban Land Institute report, the City of Seattle effectively requires all new office development built within the downtown core at an FAR[5] between 15:1 and 20:1 to obtain development rights from a housing TDR pool. The housing TDR pool is collected from sending sites of existing and rehabilitated low- and moderate-income rental housing. The sending site must retain the housing at a specified affordability level for twenty years. The sending sites can be located in

[5] FAR = Floor Area Ratio. Floor area ratio is a way to measure how much of a piece of land is taken up with building. In other words, it refers to the ratio of building area to the lot size. For example, if a building is 15 stories and covers an entire lot, the FAR would be 15:1.

most areas of downtown, but the receiving sites are limited to the office core and the mixed/commercial sector near the Denny Regrade. The strategy had resulted in the preservation of 274 housing units at the time the report was published (1989), most of which were due to the construction of one new office building, the Washington Mutual Tower. The Seattle TDR strategy works with several other replacement and preservation strategies, some of which have since been invalidated by the Washington Supreme Court. The ULI report deems the Seattle strategy a modest success.

City of Portland

With the adoption of the 1988 Central City Plan, Portland has employed a TDR designed to preserve existing single room occupancy (SROs) hotels by allowing the sale and transfer of excess FAR to a receiving site within the Central City. Since the adoption of this strategy there has been one successful use of this tool. The former Athens Hotel at NW Everett and Sixth Avenues was purchased by a local nonprofit development corporation for rehabilitation into housing and treatment services for very low-income individuals. The excess development opportunity on the site of the Athens amounted to 50,000 square feet of floor area. This floor area was sold, at an unspecified amount, to the adjoining owners of the rest of the block, who some years later developed the mixed-income Fifth Avenue Courts apartment project. The rehabilitated SRO, now called the Sally McCraken Building, is required by a covenant signed by both parties, under review by the City, to remain as very low-income housing indefinitely. Should the housing be destroyed, the owners are obligated to replace the housing.

OTHER CONSIDERATIONS

A major advantage of the TDR strategy is, assuming the local government does not institute a TDR pool, that the owners of the sending and the receiving sites decide between themselves the value of the transferred development rights. The local government's role in this case is limited to reviewing the terms of the covenants to ensure that the basic regulations are recorded with the deeds of both properties. On the other hand, the local government needs adequate legal resources to ensure that the covenant is clear and enforceable.

The alternative approach, such as that used in Seattle, is to require the office developer to pay a cash payment to nonprofit housing developers in which case the value of the transferred rights is established by the local governing body.

The use of TDRs may work best with a variety of other strategies that serve the purposes of preserving or increasing the supply of affordable housing. Subcommittee members also observed that TDR strategies work best in a contained area planned with this strategy in mind rather than applying it throughout a jurisdiction.

The local government must plan the overall base level of permitted development to ensure that development made possible at the receiving site does not exceed the intensity envisioned for that site resulting in structures that violate other goals to preserve views, light, or promote other aspects of design compatibility.

This strategy may be less effective under a regulatory scheme with already generous base height and floor area zoning. TDRs adopted in central business districts are often preceded by a downzoning of development potential as in the case of New York's system.

RECOMMENDATIONS FOR IMPLEMENTATION

A. Regional

1. Include on List of Recommended Tools

Metro should include TDRs as part of the list of recommended practices to help carry out regional housing goals. There are a variety of TDR approaches that can be tailored to the conditions of a particular jurisdiction. H-TAC concluded that such approaches should be examined and, if found to be legally or administratively sound, promoted as models for local jurisdictions.

2. Housing TDRs Coordinated with Regional Goals

The use of TDRs should also be considered in conjunction with open space and environmental preservation strategies to further overall development capacity goals.

3. Best Practices

A compilation of "best practices" in implementing TDR programs should be compiled to enable jurisdictions to determine what models would work best locally.

B. Local

Encourage local jurisdictions to implement TDR programs to facilitate the development of affordable housing when planning for Main Streets or Town Centers involving upzonings. Local jurisdictions could take into account the utility of TDRs in the ultimate zoning pattern of these districts.

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Local Regulatory Constraints: Land Use Tool

Finalized at the Cost Reduction Subcommittee Meeting: February 22-23, 2000
Approved by H-TAC: February 28, 2000

PURPOSE

To analyze the feasibility of reducing regulatory constraints and discrepancies in planning and zoning codes in the development approval and permitting process in order to reduce the cost of creating affordable housing.

DESCRIPTION

The local development permit approval process is meant to ensure that a residential development meets established standards that enhance community characteristics and property values. The process is driven by a number of ordinances, standards and regulations that are geared towards: a) acceptable structural design and characteristics; and b) environmental enhancement and protection. The structural-oriented regulations include new building construction to rehabilitation codes, adequate water and sewage disposal standards, and handicapped provisions, among others. The environmental-oriented regulations include zoning codes for minimum lot sizes, density and open spaces, subdivision standards, and planning codes for tree preservation, parking, growth controls.

Those regulatory constraints related to the permit approval process and the environmental issues are described further below. The regulatory constraints related to the structural issues have been addressed in other strategy reports.

Permitting Approval Process

According to a report by the President Bush Advisory Commission on Regulatory Barriers to Affordable *Housing "Not in My Back Yard" Removing Barriers to Affordable Housing* (1991), in most jurisdictions across the country the approval process is not a logical point-to-point process. The process leads to delays that force builders and developers to pay extra interest on borrowed money and therefore increases the overall cost of housing. Some studies found that the point-rating system approval process in Orange County, California typically added $20,000 to the cost of a single family home, and in New Jersey, permitting time increased from few months to three years in some jurisdiction. According to Debra Bassert of the National Association of Home Builders, some studies in the 1980s found that every month of delay in the approval process added one to two percent to the final price of a home.

Discrepancies in Planning and Zoning Codes

Discrepancies between local comprehensive plans, zoning codes, and Metro's Urban Growth Management Functional Plan can impact the cost of producing affordable housing in a variety of ways. While a city's comprehensive plan may have been adopted several years ago, the zoning code may be constantly evolving. Ordinances may be adopted over time to address specific issues that arise through the development process, such as a tree cutting ordinance to preserve valuable urban forests. The incremental adoption of a variety of ordinances, some of which may have conflicting goals, can have a significant impact on the cost and feasibility of developing affordable housing.

While a city's zoning code may contain a variety of items focused on meeting the community's goals, sometimes the code can conflict with itself. A city may have adopted a setback requirement that conflicts with the level of density the jurisdiction wants to obtain using minimum lot sizes, or the local density goals may conflict with those outlined by Metro. For example, a city may have adopted minimum lot sizes that do not allow for the construction of a single-family house due to setback requirements (the distance a structure is set back from a street, another structure, or the rear end of the lot). Some of the types of zoning codes that may conflict with each other are:

- Setback requirements
- Minimum lot sizes
- Design standards
- Density
- Open space requirements
- Tree preservation/tree cutting requirements
- Parking requirements

These discrepancies can impact the cost of development by reducing the number of units that can feasibly be built on a parcel. For instance, if a jurisdiction requires minimum setbacks, open space, tree preservation, and minimum parking spaces there may not be much room left on a parcel for housing units, regardless of the density that is allowed. This also may impact the ability of builders to provide small houses under the current regulatory system in some communities. Due to setback distances and minimum lot size requirements, small houses may not be economically feasible, as well as possibly precluding "new urban" developments of small bungalow type houses with front porches close to the street.

The need for strategies to address the above issues related to regulatory constraints will grow as more developments are expected to occur in this region to accommodate the projected increase in population and employment.

EXAMPLES OF METHODS TO REDUCE REGULATORY CONSTRAINTS

Local Permitting Approval Process

City of Portland

The City of Portland permitting process was viewed by some citizens and the press as an anachronistic and inefficient process that was in need of modernization. The modernization process was initiated through a Stakeholders Team recommendation (Blueprint 2000) submitted to the City Council in April 1998. The City Council's goal was to "create a system that presents a predictable, seamless delivery of City development review functions and provides a clear point of accountability for the performance of review responsibilities."

The Stakeholders Team recommendations were based on the following desired outcomes for the City development review system:

a) implementation of City goals and policies through consistency in the interpretation of codes;
b) communication of regulations, requirements and process in clear, early and consistent manner;
c) staff responsiveness and service to customers and other stakeholders using service benchmarks that are measured as part of an ongoing customer service;
d) predictability of process and results for everyone involved using performance standards that are reviewed periodically;
e) accountability for quality and consistency of decision-making through timely and clear resolve of conflicts.

The recommended improvements in the City's development review system and process were organized as follows:

1. Core business process that establishes the primary entry point or location for information and application intake for projects, provides a process "roadmap" for project approvals and requirements, including inspection and enforcement process and methods for resolving conflicts early;
2. People interactions-oriented system that reinforces a culture of customer service and identifies coordinated reviews teams including primary point of contact, technical review teams and project approval teams;

3. Integrated computer system accessible to all stakeholders that provides real time and accurate information;
4. Co-locate all staff with primary responsibilities for development review activities;
5. The effectiveness and impact of proposed regulations and existing regulations should be analyzed, reviewed and modified if necessary with public input.

The City's new Office of Planning and Development started operating in January 2000. The new Office was the first step in the implementation of the Stakeholders Team recommendations.

POTENTIAL STRATEGIES

Permitting Approval Process

- Regionally consistent permitting process
- Metro may serve as a technical resource including development of a model for an objective design review criteria (could be required by the region)
- Provide one contact person who is responsible for guiding a project through the entire permitting process
- Redesign the coordination element of the review processes as follows:
  - One stop permitting that provides a road-map of requirements and approval process
  - Cross training of staff
  - Interdepartmental review committees
  - Clearly stated time frames for reviews, approval and extensions
  - Computerized tracking system
  - Concurrent rather than sequential reviews
  - Coordinated public hearing by various sections or departments involved in permitting
  - Concurrent (or combined) hearing by different sections or departments
- Reduce the *number* of appeal opportunities
- Encourage more communication with neighborhoods – region, local governments, developers
- Encourage better communication with staff – building, planning, fire, public works, etc. Identify small number of themes to be addressed regularly.
- Encourage better coordination between State and local design review requirements.

Discrepancies in Planning and Zoning Codes

- Regularly review existing codes to determine their usefulness and impact on new developments
- Review existing codes for conflicts between local code and state or regional goals as well as internal conflicts (e.g., between setbacks and minimum lot sizes)
- Reduce the *number* of land use appeal opportunities
- Require that improvements be related to and commensurate with the impact that will result from the specific development; especially where there are *already* improvements needed but the entire cost of it falls on the specific development (i.e., the first development in should not pay for all of a needed improvement, conversely the "last straw," or last development in should not pay for all of a needed improvement

RECOMMENDATION FOR IMPLEMENTATION

A. Regional

1. Regional Guidelines for the Permitting Process

Develop regional guidelines for the permitting process, with the goal of creating a regionally consistent permitting process to enable developers to more easily produce housing in all parts of the region.

2. *Metro as a Technical Resource*
Metro may serve as a technical resource for local jurisdictions and funders to develop a compilation of "best practices" for design and development criteria.

3. *Metro review of regional policies and regulations*
Metro can review its goals for consistency in its overall regional planning policies and their impact on local planning and zoning activities. Metro should consider using a cost-benefit analysis to determine the impact of new regulations on the activities related to housing production at the local level.

4. *Better coordination*
Encourage better coordination between State and local design review requirements, especially in terms of timing. (This issue is also identified in the *Local/State Coordination Strategy*).

B. Local

1. *Revise permitting approval process*
Encourage local governments to revise their permitting approval process as follows:
- Provide a single contact person to shepherd each project through the process
- One stop permitting that provides a road-map of requirements and approval process
- Cross training of staff
- Interdepartmental review committees
- Clearly stated time frames for reviews, approval and extensions
- Computerized tracking system
- Concurrent rather than sequential reviews
- Coordinated public hearing by various sections or departments involved in permitting
- Concurrent (or combined) hearing by different sections or departments

2. *Review existing codes*
Local governments can review their development and design standards criteria for consistency and their impact on affordable housing developments. Local governments should also be encouraged to regularly review existing codes to:
- determine their usefulness and impact on new housing developments, and
- identify conflicts between local code and state or regional goals as well as internal conflicts (e.g., between setback and minimum lot size requirements).

3. *Cost/benefit Analysis*
Local governments should consider using a cost-benefit analysis to determine the impact of new regulations on the activities related to housing production at the local level

4. *Reduce number of land use appeal opportunities*
Encourage local governments to work towards reducing the number of land use appeal opportunities for each development.

5. *Consider Fast Tracking Affordable Housing Applications*
As a strategy for fast-tracking affordable housing applications, local governments should encourage developers to come in with a conceptual design to discuss applicable requirements and other major issues before finalizing and submitting a final application for a permit or rezoning.

6. *Consider consolidating survey offices*
Cities and counties should consider consolidating survey offices so that developers will only visit one surveyor per jurisdiction.

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Housing for Elderly & People with Disabilities: Land Use Tool

Finalized at the Land Use & Regulatory Subcommittee Meeting: February 2 & 9, 2000
Approved by H-TAC: February 28, 2000

PURPOSE

To determine the "best practices" for the implementation of strategies to encourage the development of housing for seniors and people with disabilities that could be recommended for implementation in the Metro region. As part of the Subcommittee analysis, program information was collected from jurisdictions implementing similar strategies.

DESCRIPTION

Seniors

The nation's elderly population, or seniors, (60 years old and above) is increasing rapidly. In 1900 the elderly population equaled four percent of the population, grew to 12 percent in 1990, and is projected to increase to 20 percent by 2020. Data maintained by the Metro Data Resource Center shows that the population of persons 65 and older grew by 6.5 percent between 1995 (162,662) and 1999 (173,221).

Most seniors typically live on a fixed income, including Social Security Benefits (SSB), pensions, and retirement investments. Some seniors depend solely on SSB, and receive approximately $500-800 per month. Seniors may also receive Supplemental Security Income (SSI) if they receive SSB below $520. Meanwhile, the U.S. Department of Housing and Urban Development (HUD) fair market rent for a studio is $463 and a one-bedroom apartment is $569[6]. According to Multnomah County Aging and Disability Services, nearly half of elderly renters in Oregon spend over 35 percent of their income on rent, often making a choice between food, utility bills, and even medication to afford housing. The need for strategies to address issues seniors face in finding affordable housing will only grow as the population continues to increase over the next several years.

Seniors frequently live in the following types of housing: single family homes, mobile home parks, apartments, or licensed options (nursing homes, assisted living facilities, adult foster homes, or residential care facilities). Seniors often live on a fixed income. If seniors live in their own single family home, they may be "overhoused" (e.g., living alone in a three bedroom home) and may also require assistance for maintenance and upkeep due to increased costs and decreased physical ability. Many other seniors live in apartments. Many seniors in the region bought mobile homes located in mobile home parks as an affordable housing option for their retirement years. While these homes presented an affordable option at the time, typically the house is owned while the space for the house is rented. Rents for lot space have increased dramatically over time, creating a large burden for seniors on limited fixed incomes.

People with Disabilities

The household budgets of many people with disabilities are so low as to make apartment rental extremely difficult. A majority of people with disabilities are at 30 percent or less of the median household income. Many people with disabilities subsist on SSI benefits of $500 per month. A study conducted in 1999 found that SSI in the region is only 18.3 percent of the median income, which equals full time hourly rate of $3.09.[7] In 1999, rent for an efficiency apartment took 86 percent of SSI and a one bedroom was not obtainable, at 105.9 percent of SSI. This inability to afford rental

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[6] Published in the October 1, 1999 Federal Register.
[7] "Priced Out in 1998 – The Housing Crisis for People with Disabilities." The Technical Assistance Collaborative, Inc. and The Consortium for Citizens with Disabilities Housing Task Force, March 1999.

payments contributes to many people with disabilities living in difficult conditions, such as in a friend or relative's home, or inaccessible apartments (on a second floor with no elevator when the person must use a wheelchair). Accessible and affordable apartments available in the region for this population are not sufficient to meet the need.

People with disabilities generally do not exist in isolation, they have families and may also be children. Families with a disabled member and individuals with disabilities often have difficulty finding affordable housing that is suitably accessible. People with disabilities may have functional limitations, vision impairments, difficulties hearing, problems with mobility, or a combination of disabilities including substance abuse. Many people with disabilities have difficulty going outside alone, and may also be unable to work due to their disabilities. The 1996 American Community Survey Profile for Multnomah County estimates the number of people with disabilities to be 37,912 or six percent of the total county population. According to Clackamas County Community Development, the total number of people with disabilities in Clackamas County is 25,736. Similar data is not available for Washington County.

One subset of people with disabilities includes those with "psychiatric disabilities," or people whose serious mental illness limits their ability to perform some activities of daily living. People with psychiatric disabilities may have special housing issues, including a lack of affordable housing. The prevalence of people with psychiatric disabilities is thought to range from one to three percent of the general adult population in the state. In 1999, the number of people with psychiatric disabilities served with state dollars was 1,742 in Clackamas County, 10,469 in Multnomah County, and 1,688 in Washington County.

Another subset of people with disabilities includes those with "developmental disabilities," or people with mental retardation, autism, cerebral palsy, epilepsy, or other neurologically disabling conditions that have been attained before the age of 22. The total number of people with a developmental disability in Multnomah County is estimated to be 19,250 (three percent of the total population), and in Clackamas County is estimated by Clackamas County Mental Health to be 4,300. Similar data is not yet available from Washington County.

EXAMPLES OF STRATEGIES TO ENCOURAGE HOUSING FOR SENIORS AND PEOPLE WITH DISABILITIES

Subsidized Housing

Both seniors and people with disabilities are frequently well served by housing units that are subsidized to keep costs down. Waiting lists for these units are generally long, and the population of seniors is projected to increase substantially. Thus, an increase in subsidized units designated for these populations would help reduce the affordable housing needs of seniors and people with disabilities in the region.

Mobile Home Courts

As mentioned above, many seniors found housing in mobile home courts to be an affordable option when they retired and downsized from the family home. However, many of the mobile home courts have increased rents for lot space dramatically, while seniors continue to live on fixed incomes. Many of the mobile homes are older and not easily marketable, thus seniors remain in them and pay higher rents. According to Elders In Action, rents in some parks have increased by over 50 percent since 1992. Estimates suggest that approximately 85 percent of mobile home courts residents are sixty and above. Table 1 below shows the number of mobile home courts in the region.

Table 1. Mobile Home Courts in the Metro Region

County	Number of Mobile Home Courts	Number of Mobile Home Spaces in the Courts
Clackamas	122	7,237
Multnomah	103	5,219
Washington	58	5,202
Totals	283	17,658

Source: Elders In Action, December 1999.

Three strategies identified by Elders In Action to address the issue of rising rents for seniors in mobile home courts are:

1. Legislative lobbying for rent stabilization.
2. Pursue land trust options for mobile home courts.
3. Encourage nonprofit ownership of mobile home courts.

Shared Attendant Model

The Shared Attendant Model is utilized by the Multnomah County Aging and Disability Services Department (in conjunction with the Housing Authority of Portland) to address the needs of clients who need services to stay independent in their housing. Many seniors and people with disabilities need assistance with taking complex medications, bathing, or getting to medical appointments. Without the services of an attendant, they would need to be in a care facility. However, finding competent attendants is very difficult, as they earn minimal wages, receive no benefits, and the job is physically and emotionally demanding.

The objective of the Shared Attendant Model is to stabilize the Client Employed Provider (CEP) – an attendant to assist in the activities described above – and increase the job retention time of the CEP by providing stable housing. This model provides for more efficient use of the CEP's time, and provides the clients with better accessibility to the CEP by locating the clients and the CEP in the same building. This model gives the CEP steady hours, at least a forty-hour work week, and removes transportation costs. The CEP receives an apartment (with utilities paid) in exchange for caring for 4-6 residents, in addition to a salary. A case manager and a contract nurse support the CEP. The CEP is screened by the case manager and interviewed by the clients.

The Shared Attendant Model could be utilized in many senior or disabled housing situations in which there are a number of these populations in need of similar care.

Development Practices

Current development practices do not always specifically provide for the needs of elderly and disabled people, even in housing targeted for those groups. Costs of development may also be exceptionally high due to the need to comply with the Americans with Disabilities Act (ADA), which requires special fixtures such as wide doors, accessible showers, and specially designed kitchens.

Location of Housing for Seniors and People with Disabilities

Many seniors and people with disabilities are able to lead independent lives by relying on public transportation. Transit enables them to go shopping, visit friends and relatives, and go to medical appointments. Development of housing for elderly and disabled people could be focused in transit-friendly, location efficient areas. This could be used as a criterion for utilizing public dollars for the development of housing for these groups, such as CDBG funds.

Type of Housing for Seniors

Some of the housing developed for the low- and moderate-income elderly people on the private market is created in separate enclaves removed from the surrounding community. This can contribute to increasing isolation between generations as well as dependency of the residents on services provided by the developer, such as private bus service. This type of development could be discouraged through the land use process.

Density Bonus for Housing for Seniors and People with Disabilities

The City of Portland has provided density bonus incentives for housing for seniors and people with disabilities since 1993. The regulations allow for increased density in specific multi-family residential zones, and only apply to new developments and projects that involve major remodeling.

> These regulations provide opportunities to integrate housing for elderly and disabled citizens with other types of housing, and to increase the ability of the elderly and disabled to live independently and close to where services are generally available. (Title 33, Planning and Zoning, Chapter 33.229)

Projects in R3, R2, R1, and IR zones are allowed unlimited density as long as the project complies with the development standards of the base zone, accessibility standards, and the lot is at least 10,000 square feet. Projects in the RH zone are allowed to develop to a FAR (floor area ratio) of 4 to 1 if the same aforementioned conditions are met.

POTENTIAL STRATEGIES

- Link strategies for increasing affordable housing opportunities for seniors and people with disabilities to other tools. For example, the City of Portland allows a density bonus for housing developed for seniors. However, this tool should not be utilized to concentrate populations of seniors or people with disabilities.
- Use community land trusts as a tool to stop the increase in rents for seniors living in mobile home courts.
- Increase the total amount of affordable housing in the region so as to benefit specific populations such as seniors and people with disabilities.
- Encourage continued independence and mobility of seniors and people with disabilities by focusing development of housing for them in transit-friendly areas.
- Encourage the development of integrated communities, while discouraging enclaves of housing for seniors and people with disabilities in isolation from the surrounding community.
- Provide technical assistance for developers to carry out construction that complies with ADA requirements in the most cost effective manner.

RECOMMENDATION FOR IMPLEMENTATION

While some strategies for seniors and people with disabilities could be tied to land use, these strategies would be difficult to implement regionwide. Strategies to address the needs of these specific groups may be best implemented at the local level. Regional guidelines could be developed to further enable local jurisdictions to make progress towards meeting regional fair share goals.

A. Regional

1. If a regional fund is created, consider the needs of vulnerable populations, including seniors, people with disabilities, and other populations when allocating funds. Fair share goals focus on housing needs for households earning less than 50 percent of the regional median income; many of these vulnerable populations fall into this income level.

B. Local

1. Encourage local governments to tie the use of funds for these types of housing to locational decisions, such as: 1) focusing development of housing for low and moderate income seniors and people with disabilities in transit-friendly areas to encourage continued independence and mobility; and 2) encouraging the development of integrated communities, while discouraging enclaves of housing for seniors or people with disabilities in isolation from the surrounding community.

2. Encourage local governments and nonprofit community land trusts to utilize the community land trust model as a tool to stop the increase in rents for seniors living in mobile home courts.
3. Encourage local governments to use other planning tools and strategies (such as density bonus, transfer of development rights, etc.) to increase affordable housing opportunities for seniors and people with disabilities.
4. Encourage local governments to examine their zoning codes for conflicts in meeting locational needs of seniors and people with disabilities (i.e., allowing mixed-use developments in commercial and residential areas).

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Parking: Land Use Tool

Finalized at the Cost Reduction Subcommittee Meeting: February 22-23, 2000
Approved by H-TAC: February 28, 2000

PURPOSE

To identify parking as a significant cost in the production of affordable housing and discuss current efforts to reduce parking requirements in the Metro region.

DESCRIPTION

Parking can be a very large component of the cost of developing housing. Parking spaces are expensive to build, especially where land values are high. The cost of providing structured parking in high density areas such as downtown can add $20,000 to $30,000 or more to the cost of a housing unit. Conversely, minimum parking requirements in suburban areas can increase the cost of individual units be decreasing the amount of land available for housing. Parking in suburban areas is typically surface parking, which is relatively cost-effective but not efficient in the use of land. Environmental impacts of increased impervious surface are also important.

While it is important to minimize the impact of providing housing with fewer parking spaces on existing neighborhoods, there are types of housing that justify lower parking requirements. Assisted housing for seniors, many of whom do not drive, may require a minimum number of spaces for residents and guests. Housing for people with certain disabilities may require less parking. Additionally, housing located in transit efficient neighborhoods that do not require the use of a car for everyday activities also justify lower minimum parking requirements.

As described above, parking is an important cost consideration in the provision of affordable housing. The requirements for parking are not found at the local level, but are placed on developments by lenders. Many lenders will not fund a project that they believe may not be successful due to insufficient parking. However, much work has already been done in the region to address the costs associated with the provision of parking.

METRO'S REGIONAL FRAMEWORK PLAN PARKING REQUIREMENTS

The State's Transportation Planning Rule calls for reductions in vehicle miles traveled per capita and restrictions on the construction of new parking spaces as a means of responding to the transportation and land use impacts of growth. The Metro 2040 Growth Concept calls for more compact development as a means to encourage more efficient use of land, promote non-auto trips and protect air quality. Additionally, the federally mandated air quality plan adopted by the state relies on the 2040 Growth Concept to fully achieve its transportation objectives. The air quality plan relies on reducing vehicle trips per capita and related parking spaces through minimum and maximum parking ratios. Title 2 of Metro's Urban Growth Management Functional Plan addresses these state and federal requirements.

A compact urban form requires that land be used efficiently. Parking, especially that provided in new developments, can result in a less efficient land usage and lower floor to area ratios. In areas where transit is provided or other non-auto modes (walking, biking) are convenient, less parking can be provided and still allow accessibility and mobility.

Title 2 of the Functional Plan requires local jurisdictions to amend their comprehensive plans and implementing regulations to meet or exceed specific minimum standards. Regional parking ratios are outlined in the attached **Table 2 (Regional Parking Ratios)** of the Functional Plan, attached. Cities and counties are allowed to vary from these standards if they provide findings to show substantial compliance.

Local Government Compliance with Regional Parking Requirements

The table below indicates the compliance status of local governments with Metro's regional parking requirements.

Jurisdiction	Compliance Status with Title 2	Comments
Beaverton	Adopted	
Cornelius	Extension	
Durham	Adopted	City has requested an exception to commercial parking maximums
Fairview	Adopted	
Forest Grove	Adopted	
Gladstone	Adopted	
Gresham	Extension	June 2000
Happy Valley	Extension	
Hillsboro	Adopted	
Johnson City	Extension	
King City	Adopted	
Lake Oswego	Adopted	
Maywood Park	Adopted	
Milwaukie	Adopted	
Oregon City	Extension	June 2000
Portland	Extension	April 2000
Rivergrove	Adopted	
Sherwood	Extension	
Tigard	Adopted	
Troutdale	Adopted	
Tualatin	Adopted	
West Linn	Extension	
Wilsonville	Extension	
Wood Village	Adopted	
Clackamas Co., uninc.	Adopted	
Multnomah Co., uninc.	Extension	March 2000
Washington Co., uninc.	Extension	July 2000

RECOMMENDATION FOR IMPLEMENTATION

A. Regional

1. Encourage lenders to consider unique parking needs

Encourage lenders to consider parking needs for proposed housing on a project by project basis, accounting for the special needs of residents, when evaluating funding applications.

B. Local

1. Review parking requirements

Encourage local governments to review parking requirements to ensure they meet the needs of residents of all types of housing.

2. Coordinate strategies

Encourage local governments to coordinate strategies with developers, transportation planners and other regional efforts to reduce costs of providing parking for affordable housing.

3. Evaluate off street parking requirements

Encourage local governments to evaluate off street parking requirements for infill housing developments, ensuring that their requirements are not greater than what currently exists.

FACTUAL INFORMATION

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Long-Term or Permanent Affordability: Non-Land Use Tool

Finalized at the Land Use and Regulatory Subcommittee Meeting: October 6, 1999
Approved by H-TAC: November 29, 1999

PURPOSE

To determine the "best practices" for long-term or permanent affordability requirements on affordable housing that could be recommended for implementation in the Metro region. As part of the Subcommittee analysis, program information was collected from jurisdictions implementing similar strategy.

DESCRIPTION

Long-term or permanent affordability requirements on affordable housing protect the investment made by the public and retain affordable units for many years of use. When governments invest public funds to create affordable housing options the goal should be to ensure that these units remain affordable for a specific period. While this type of requirement serves to preserve the value of the public investment over the long-term, some concerns have been expressed. One area of concern is the involuntary displacement of tenants that occurs when long-term (rather than permanent) affordability restrictions expire.

Long-Term or Permanent

Although long-term and permanent affordability requirements may sound like two terms for the same concept, the two types of requirements are fundamentally different. Both are used to retain affordability, but are based on different legal structures.

Long-term affordability requirements retain the affordable units for a specified period of time, such as 10, 20, 40, or 60 years. While 60 years may seem almost permanent now, in the 58th year such an affordability requirement means little to the tenant. Many HUD Section 8 projects that were built with 20 year affordability requirements are now reaching their "affordability expiration date," and some owners are "opting out" to raise rents or even convert apartments to condominiums. Long-term affordability requirements are often tied to the funding source; for instance the City of Portland now requires new projects utilizing city funds to be affordable for a 60-year period.

Permanent affordability requirements are generally based on either ownership or a deed restriction on the land. Nonprofit or public ownership of housing is often though not always synonymous with permanent affordability. A housing project or single family unit may have deed restrictions requiring a specific "affordable" sales price or rental rate; this method is typically tied to a funding source. Another form of permanent affordability is a community land trust (CLT), which retains ownership of the land beneath a single family home, manufactured home, or an apartment building. By removing the land from the market and placing resale restrictions on the home (or building), the affordability of the housing is permanently retained.

Rental or Owner-Occupied Affordability Requirements

Strategies to retain affordability for homeowners and renters are very different. Rental units can be retained as affordable through a variety of strategies. There are two key differences between market rate units and rent-restricted units:

1) there are requirements that the units be rented only to those who income qualify, and
2) the owner of the building is prevented from raising the rents beyond a certain predetermined amount each year and may not sell the building as though it could be used as a market rate rental.

If the units are permanently affordable, these restrictions are in place for the life of the unit. If they are affordable for a limited time period (e.g., 30 years), the restrictions apply for the designated period and then the units may be rented on the open market.

For a homeowner, on the other hand, a strategy that aims for permanent or long-term affordability typically implies some form of limited equity ownership for the individual purchasing the home. The subsidy provided allows a household that is not currently able to qualify to purchase a house to move into homeownership for less than would typically be required, and the value of that subsidy is retained when the home is sold through agreements in the deed that limit the price at which the home may be sold. This allows another income qualified person to purchase the home without additional subsidies being required.

Preservation and Affordability Requirements

There is a connection between long-term or permanent affordability requirements and a housing preservation ordinance, but the two target different types of housing. A housing preservation ordinance is aimed at retaining the affordability of *existing* affordable units, while long-term or permanent affordability requirements focus on *new* affordable units that are funded with public dollars.

LONG-TERM OR PERMANENT AFFORDABILITY MODELS/TOOLS

The following housing models are all privately owned and price-restricted in order to preserve future affordability for low- and moderate-income households.[8]

1. Deed-Restricted Owner Occupied Housing

The occupant owns the house and land, but some type of restrictive covenant in the deed prevents the property from being sold in the speculative market. When the property is sold it must remain affordable to future low- and moderate-income homebuyers and the amount of equity that the seller can realize is limited. In some cases, the deed restriction lasts for a limited time period, after which the owner is permitted to sell the home on the open market to any buyer (not income qualified). When intended to provide permanent affordability, the deed restriction runs with the land permanently. This tool is often used in conjunction with a community land trust to ensure permanent affordability.

2. Community Land Trust

A community land trust (CLT) is a democratically controlled community based, nonprofit organization established for the purpose of removing land permanently from the speculative market and maintaining it as a community resource. The CLT serves as a trustee or steward in perpetuity of the land it controls. CLT property is separated into two components: the land and the buildings on it. Individuals, families, cooperatives, or other legal entities may own the buildings and enter into long-term ground leases for the use of the land. When a leaseholder moves they may retain the value of their initial investment, any improvements made during their tenure, and some portion of any additional equity created by changes in the market, but the equity they may realize is limited by a resale formula. The rest of the equity remains with the land to preserve housing affordability for future residents. The CLT retains the first option to purchase and resell the building. This model is often used in conjuncture with the other models listed below, since ownership of the land by the CLT provides a structure that both ensures permanent affordability and makes an independent entity responsible for enforcing affordability requirements and assisting land leaseholders (owners of buildings on CLT land) if they have difficulties. CLTs can also dramatically increase community involvement in, and acceptance of, affordable housing.

[8] Community Development Network, 1999.

3. Limited Equity Condominium

Condominiums are clusters of housing in which the owner occupants own and control the interior space of their dwelling units, but the grounds, structural components, and common areas are jointly owned and controlled by all residents. In the limited equity model, resale price restrictions preserve future affordability. As with #1 above, resale restrictions can either be limited in duration or permanent, and this model may also be used in conjunction with a community land trust.

4. Limited Equity Cooperative

The land and dwelling units are cooperatively owned and managed by a legal corporation composed of residents of the project. Occupants are tenants, but also shareholders, who generally enjoy greater security and participation in decision making about their dwelling units than public or private rental tenants. Since the occupants are legally tenants, not owners (the corporation owns the units), tenant based Section 8 certificates and vouchers may be used. When beginning a limited equity cooperative and purchasing an apartment building, the corporation qualifies for the mortgage, not the individual tenants, which dramatically lowers the up-front costs to co-op shareholders and may allow less credit-strong households to participate. This model was popular in New York City and San Francisco early this century. Long-term affordability is preserved through restrictions on resale value of shares. In Oregon, currently there is no enabling legislation in place that allows banks to underwrite cooperatives. Resale restrictions can either be limited in duration or permanent, though equity restrictions in the case of co-ops are almost always permanent. This model may also be used in conjunction with a community land trust.

5. Mutual Housing Association

Mutual housing associations (MHA) may take a variety of forms, but generally a single nonprofit corporation (the MHA) owns residential buildings which are formally or informally controlled by an association of the occupants. Residents are tenants, but usually have voting membership in both the building level association and the nonprofit MHA. Long-term affordability is preserved through provisions of the MHA's bylaws. This model is often seen as a bridge between rental and owner-occupied housing. Some MHA's are combined with programs such as Individual Development Accounts (IDAs) that allow a tenant to pay a little extra with each month's rent to be put in savings and matched by grant funds, for use in purchasing a home, starting a business, getting a degree, or some other specific purpose.

6. Nonprofit Rental Housing

Residential buildings that are owned or controlled by nonprofit entities that rent units to tenants at below market rents. Generally long-term affordability is preserved through organization mission, financing commitments and sometimes deed restrictions.

7. Publicly Owned Rental Housing

Housing that is owned by public housing authorities is permanently affordable as long as it is not sold. Housing authorities are required to rent units to households at below market rates.

EXAMPLES OF LONG-TERM OR PERMANENT AFFORDABILITY REQUIREMENTS

Public Funds with Affordability Period

State of Oregon
Multi-family projects using funds from the Oregon Housing and Community Services Department are required to remain affordable for a period of 30 years.

City of Portland
Under the Housing Preservation Ordinance, any units built with funds from the City of Portland must remain affordable for a period of 60 years.

State of Vermont
Nearly all of the housing subsidies provided by the State of Vermont require permanent affordability.

Community Land Trust

Sabin Community Land Trust was the first land trust developed in Oregon. In Sabin, home buyers will purchase their home with a 99-year renewable ground lease for the land, for which they will pay $25 per month. Families must earn no more than 70 percent of the area median income to qualify to purchase a home owned by the Sabin CLT.

Clackamas Community Land Trust is a community based membership nonprofit organization established in 1999. Their mission is to buy and build homes to sell to lower income buyers, with the land held in trust for the community.

Portland Community Land Trust (PCLT) is a new community land trust that will provide a wide array of homeownership and neighborhood stabilization strategies. PCLT is a nonprofit membership organization that was incorporated in December 1999.

HOW SHOULD LONG-TERM OR PERMANENT AFFORDABILITY REQUIREMENTS BE APPLIED?

Low-income households that rent or own could benefit from the implementation of long-term or permanent affordable housing requirements in the region.

- *Renters:* Households earning less than the area median household income now and in the future would benefit from rental units that are developed as long-term or permanently affordable units. Such requirements would also provide for greater tenant stability (rents would not be raised abruptly, units would not be converted to market-rate).
- *Homeowners:* Households earning less than 80% MHI are generally unable to purchase homes in the current market. Homeownership programs developed with an equity retention requirement that balances an equity return to the purchaser with retention of the public subsidy such that upon resale a household with the same income level can purchase the home without additional subsidies being required may allow households to become homeowners who would not have the opportunity otherwise. Such permanent affordability requirements will ensure that the house subsidized will remain in the jurisdiction's affordable housing inventory over the long haul, thus benefiting more homeowners.

Since it is the goal of this Metro process to move the region towards a future in which there is a much larger stock of housing affordable to the lower-income residents of the region, and since we must assume relatively limited public resources and limited land with which to accomplish this goal, the length of affordability requirements imposed on publicly-subsidized housing is important. Generally speaking, the longer-term the affordability requirement the more low-income households will be served by the housing over time, and the more bang is provided for the public dollar. In addition to preserving the investment of public dollars, preserving the affordability of subsidized housing permanently lengthens the payback for the time and energy used in the public involvement process for siting this housing, and preserves the land as dedicated to that purpose. Given our region's recent (and ongoing) experience with the expiration of affordability requirements on buildings subsidized using HUD's Project-Based Section 8 program, and an assumption that there will continue to be a gap between incomes and housing prices for a significant portion of our population well into the future, this committee recommends that jurisdictions implement permanent affordability requirements wherever possible on publicly-subsidized housing.

Recognizing that the immediate housing crisis requires that we avoid taking actions that would reduce the commitment of private investment in affordable housing, there may be some cases in which jurisdictions should use long-term affordability requirements instead. In such situations, we recommend instituting the longest affordability requirements possible.

Permanent affordability requirements can be applied in mixed-income buildings. The requirements could apply to only some units while other, non-subsidized units, are allowed to float with the market, or they could apply different maximum prices or rents for different units. This approach may better suit the goals and needs of some neighborhoods or projects than approaches using a single income goal for an entire building.

Relationship of long-term or permanent affordability strategies to reaching regional fair share goals

Fair share goals are focused on providing housing for households in the greatest need, households earning 50% or less of the regional median income. The following permanent affordability strategies will be most useful in meeting the needs of this income group:

- Limited Equity Cooperatives
- Permanently affordable rental housing, owned by either nonprofits or a housing authority
- Mutual Housing Associations

Any of the above strategies could be combined with a community land trust to further retain both affordability and public investment.

POTENTIAL STRATEGIES

- Encourage that all new publicly funded developments in the region for H-TAC defined highest need households (those in the less than 50% of the region median income category) remain permanently affordable whenever possible and, in the event that this is not feasible, have the longest affordability requirement possible.
- Encourage the development of community land trusts and other limited equity affordable housing options.
- Encourage local governments to consider adopting more flexible PUD (planned unit development) codes that would allow for different structural types in the same area. This could be used to provide both permanently affordable housing and permanently protected open space through a community land trust.
- Encourage Metro and local governments to lobby the State Legislature to provide enabling legislation that would allow banks to underwrite mortgages for cooperative housing ventures.
- In accounting towards a jurisdiction's progress in meeting fair share goals, give different credits for units that are affordable for longer time periods, or permanently affordable.
- If a regional funding source is created, tie those funds to permanent affordability.

OTHER CONSIDERATIONS

Some of the limitations of imposing long-term or permanent affordability requirements are as follows:

- Long-term or permanent affordability requirements on new rental housing may have the effect of discouraging for-profit developers from developing needed affordable units. For-profit developers often build affordable housing units with the expectation that after a specified time period they will be able to "roll-over" the units to rent or sell at market level prices. An option may be to focus on models in which for-profit developers build the housing, but then ownership is turned over to a nonprofit to retain long-term or permanent affordability.
- Long-term or permanent affordability requirements on owner-occupied housing may raise equity issues for the households who take part in such a program. Some oppose limited equity arrangements on the grounds that low-income people should be able to benefit from the increased

equity in their home. Allowing households to capture the equity gain removes the opportunity to retain the public subsidy for future use, but may provide some low-income households more help in moving into market-rate housing.

- Nonprofit or resident ownership coupled with long-term or permanent affordability requirements may be an especially useful tool to mitigate the impact of climbing rents in manufactured home parks.

RECOMMENDATION FOR IMPLEMENTATION

Metro does not have the authority to require local jurisdictions or other government entities to tie long-term or permanent affordability requirements to affordable housing subsidies. However, a regional voluntary guideline for long-term or permanent affordability may be considered by local governments in order to ensure progress towards meeting the region's fair share goals. For instance, if affordable units in one jurisdiction have 10-year affordability restrictions and those in another have 60-year restrictions, the relative effects on the affordable housing stock over time would be quite different.

Strategies outlined below would help jurisdictions in the Metro region move towards meeting regional fair share goals while providing the most public benefit for public and private dollars invested in affordable housing.

Regional

A. Public Investment

Encourage that all new publicly funded developments in the region, especially for H-TAC defined highest need households (those in the less than 50% of the region median income category), remain permanently affordable whenever possible. In the event that this is not feasible, or that private investment and development activity is being discouraged, encourage the use of the longest affordability requirement possible.

1. If public dollars are invested, then *permanent* affordability is strongly encouraged to be required.
2. If other benefits are given to the project, such as a tax exemption, then *long-term* or *permanent* affordability requirements are encouraged to be required.
3. If a regional funding source is created, use of those funds should be tied to permanent affordability.

B. Legally Enable Local Governments and Nonprofits to Utilize Certain Strategies

1. Encourage local governments to consider adopting more flexible PUD (planned unit development) codes that would allow for different structural types in the same area.
2. Encourage Metro and local governments to lobby the State Legislature to provide enabling legislation that would allow banks to underwrite mortgages for cooperative housing ventures.

C. Accounting for Progress Towards Fair Share Goals

In accounting towards a jurisdiction's progress in meeting fair share goals, give different credits for units that are affordable for longer time periods, or that are permanently affordable.

D. Best Practices

A compilation of "best practices" in implementing long-term and/or permanent affordability requirements should be compiled to enable jurisdictions to determine what models would work best locally.

Local

A. Strategies to Meet Fair Share Goals

Some of the long-term or permanent affordability strategies identified in this report are better suited to homeownership efforts, community building, and neighborhood revitalization. Other strategies can be utilized to help meet regional fair share goals by providing housing for households earning 50% of regional median income or less. The strategies below can be easily tailored to meet the needs of this income group, especially if combined with a community land trust.

1. Limited Equity Cooperatives
2. Permanently affordable rental housing
3. Mutual Housing Associations

B. Strategies to Mitigate Impacts of Increasing Rents in Manufactured Home Parks

Some of the long-term or permanent affordability strategies identified here are especially well suited to mitigating the impacts of increasing rents in manufactured home parks. Key strategies in this situation include:

1. Community Land Trusts – a non-profit organization may purchase the manufactured home park in order to hold the land costs down over time
2. Cooperative Ownership – residents of a manufactured home park could purchase the land and operate as a limited equity cooperative

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System Development Charges: Non-Land Use Tool

Finalized at the Cost Reduction Subcommittee Meeting: September 8, 1999
Approved by H-TAC: November 29, 1999

PURPOSE

To analyze the feasibility of reducing system development charges (SDCs) in order to create more affordable housing. As part of the Subcommittee analysis, program information was collected from jurisdictions implementing similar strategies.

DESCRIPTION

State law (ORS 223.299) defines system development charges as follows:

> *4.*
> *(a) "System development charge" means a reimbursement fee, an improvement fee or a combination thereof assessed or collected at the time of increased usage of a capital improvement or issuance of a development permit, building permit or connection to the capital improvement. System development charge includes that portion of a sewer or water system connection charge that is greater than the amount necessary to reimburse the governmental unit for its average cost of inspecting and installing connections with water and sewer facilities.*
>
> *(b) "System development charge" does not include any fees assessed or collected as part of a local* improvement district or a *charge in lieu of a local improvement district assessment, or the cost of complying with requirements or conditions imposed upon a land use decision, expedited land division or limited land use decision.*

System development charges are limited by State law (ORS 223.299) for capital improvements related to:

> *(A) Water supply, treatment and distribution;*
> *(B) Waste water collection, transmission, treatment and disposal;*
> *(C) Drainage and flood control;*
> *(D) Transportation; or*
> *(E) Parks and recreation.*

As can be seen from the definitions in State law, there are two types of SDCs: Improvement Fees and Reimbursement Fees. The Improvement Fees are SDCs that are applied to improvement costs associated with capital improvements to be constructed. Reimbursement Fees are SDCs applied to improvement costs for capital improvements already constructed or under construction.

State law (ORS 223.304) also limits the methodology that may be used to impose SDCs as follows:

> *The methodology shall promote the objective of future system users contributing no more than an equitable share to the cost of existing facilities.*

Examples of SDCs in the Metro Region

Jurisdictions break down system development charges differently. Below are some examples of system development charges found in a sample of jurisdictions in the Metro region. The jurisdictions are not identified due to the fact that the charges change and the purpose of the information is to provide a range of SDCs to consider the impact they have on the development of affordable housing. Four communities were sampled, with SDCs ranging from $5,935 to $8,950 for single family housing and $3,610 to $4,639 for multi-family units.

A. Single Family Dwelling SDC: Examples of SDCs charged by jurisdictions in the Metro region are provided in Table 1.

Table 1
Sample SDCs for Single Family Dwelling Development*

Type of SDC	City A	City B	City C	County X
Transportation	$1,202	$2,010	$1,365	$2,112
Parks	$1,038	$1,499	$1,479	$950
Sewer	$1,900	$2,300	$1,828	$2,200
Water	$2,200	$2,535	$917	$2,112***
Storm drainage	$0.00**	$606	$346	$250
Total	**$7,367**	**$8,950**	**$5,935**	**$7,624*** **

Source: Metro, 1999.
***Assumptions**: single family home, approximately 1500 sq. ft. living space, 400 sq. ft. attached garage with two bathrooms.
** City A does not have SDC on storm system. The city uses a formula that deals with the impervious surface for the land related to building footprint and ratios. The basic formula is given to utilities for a monthly billing related to storm system.
*** Many water districts manage the water SDCs for developments in the County X and the fees differ slightly by district.

B. Multi Family Dwelling SDC: Examples of SDCs charged for apartment buildings by jurisdictions in the Metro region are provided in Table 2.

Table 2
Sample SDCs for Multi Family Dwelling Development: Fee Per Unit*

Type of SDC	City A	City B	City C	County X
Transportation	$750	$1,153	$953	$1,463
Parks	$1,038	$1,499	$915	$339
Sewer	$1,414	$0.00	$1,376	$1,760
Water	$428	$1,124	$236	$975
Storm drainage	$401	$235	$130	$102
Total	**$4,031**	**$4,011**	**$3,610**	**$4,639**

Source: Marathon Management –January 1999
***Assumptions:** The information in Table 2 is based on the following assumptions: 8 multi-family buildings with a total of 112 units; Construction valuation total = $6.16 million; Description of unit = 2 bedroom, 2 bath, 950 sf, with washer and dryer hookup; Total Land Area = 6acres = 261,360 sf w/ 255 lineal ft of road frontage; 5% State Surcharge for mechanical, electrical and plumbing charges; 25% Plan Review Fee. Other utility assumptions are impervious surface = 1,250 sf /unit; water meter = one 2" water meter serves two buildings (28 units) = 4 total meters; 11 Plumbing Fixture Units (6 bath PFUs, 3 kitchen PFUs, 1 washing machine and 1 water heater; 100 feet of service for water, sewer and storm drain; 200 amps/unit of service (electrical).

SDCs are generally required at the start of a project, prior to other permit approvals or construction. This increases the amount of cash that a developer must have up front, which also increases the total cost of the housing unit.

Local Funding Issues

One key factor in analyzing the SDC fees is to examine the larger funding base for all improvements. The sources usually include SDC fees, taxes, exactions such as local improvement districts (LIDs), and grants. Depending on the mix of funding sources, the SDC fees are adjusted to ensure sufficient funding for the improvements. If a local government has a well-established infrastructure that has been capitalized over a long period of time, one might expect lower SDC fees. However, if a city is in a rapidly growing area that has required major new infrastructure expenditures to meet the needs of new and existing residents SDC fees may be higher.

Figure 1: Local Government Funding Sources

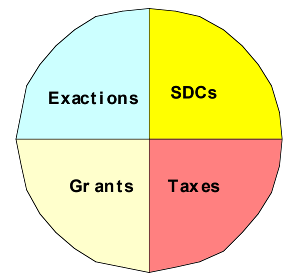

Chart is for illustration and does not show % of total revenues.

According to the study *Issues in Designing System Development Charges for Salem, Oregon (1997)*:

> "…SDCs can be analyzed in terms of the amount paid by landowners, by developers or by the ultimate users: however, it is incomplete to consider the SDC in isolation. SDCs may have a variety of impacts depending on how the money is used and what the alternative source of financing for infrastructure would be. In general, the alternative would be to delay construction of infrastructure or to rely on more general sources of revenue, such as property taxes. Hence, analysis of the impact should be done relative to reduced infrastructure or alternative taxes."

EXAMPLES OF REDUCED SDCS

Several options have been discussed to address the SDC fees in relation to affordable housing development. One is to create a regional or state funding source to pay SDC fees for affordable housing and another is a waiver or reduction of some fees for affordable housing. Below are some examples of jurisdictions in Oregon that reduce or waive SDCs for affordable housing. (Note: Some jurisdictions may be paying the SDCs on "exempted development" from other sources, such as the general fund).

SDC Waiver or Exemption

City of Salem

The SDC imposed under the City Code Chapter 41 exempts the following types of housing developments:

- any development which is undertaken by the Housing Authority of the City of Salem, and
- any housing unit which is located in a housing project of one or more housing units, if the project receives federal housing funds administered by the city and is affordable to families at or below the city's 80% median income level.

City of Eugene

The SDC is exempted for:

- rental housing for low-income persons with an income at or below 60% of the area MHI, and
- home ownership housing for low-income persons with an income at or below 80% of the area median income.

The City Manager or designee is authorized to waive a base amount (totaling $115,000 annually) of SDCs for affordable housing. Unallocated portions of the annual base amount shall be added to the authorized base amount for the next fiscal year. In the event that within five years from the date the exemption was granted the property ceases to be utilized for low income persons or is sold or transferred for another type of use, the person to whom the exemption was granted will have to pay to the city the amount of the exempted SDC, plus interest.

SDC Deferred

City of Lake Oswego:
The City Code, Chapter 39.06.105, authorizes the City Manager to defer SDCs for: a) non-profit, state or federally assisted low- to moderate-cost housing for elderly and disabled persons so as to make the project economically feasible within the maximum rental rate established by the funding agency; and b) projects with interest rate subsidies only, so as to bring the monthly rental rates within 10% of the prevailing rates for similar housing in the Portland SMSA.
In the event that property changes status to a person who will not qualify for a deferral, the person to whom the exemption was granted will have to pay to the city the total amount of the deferred SDC.

City of Gresham:
The City has a program that allows for deferring payment of SDCs or financing of SDCs for new development over a period of up to 10 years. The program is not necessarily tied to affordable housing developments. The objective of the program is to offer all property owners an opportunity to pay SDCs in monthly or lump sum installments as an alternative to absorbing SDCs into long term permanent financing of projects. Property owners are expected to pay the City of Gresham the amount plus simple interest rate of the unpaid balance at the rate set forth by the City for a period of less than 10 years. The City must obtain a superior lien on the property in order for the project to qualify.

City of Ashland:
Since 1991, the city's affordable housing program has used deferred SDCs as an incentive to increase affordable housing supply. The deferred SDC is secured by a second mortgage (in the form of a Trust Deed) which is recorded and treated as a loan and accrues 6% interest per year. The accrued interest and principal are only due upon the sale of the property to a buyer that does not qualify for affordable housing and/or the property is sold for more than the maximum purchase price, which is adjusted every year May 1st. If the property is sold and it remains in the affordable housing program, the deferred SDC plus the interest rolls over to the qualified buyer. If the property remains in the affordable housing program for 20 years, the fees are canceled and forgiven by the city.

SDC Graduated

City of Lake Oswego:
The City Code, Chapter 39.06.105, authorizes that a SDC may be proportionately reduced if "Evidence indicates that the construction, alteration, addition, replacement or change in use does not increase the parcel's or structure's use of a system or systems to the degree calculated in or anticipated by the methodology for the particular system development charge." The code does not specify that this graduated SDC apply to any type of housing development, however, it could be regarded as a good incentive for affordable housing development.

HOW SHOULD SDC REDUCTIONS BE APPLIED?

Below are types of housing and services to which SDC reductions could be applied:

A. Need Based Reductions

- *H-TAC defined income groups:* Housing based on H-TAC defined income levels, especially to meet fair share goals focused on households in the lower two categories.
    - 0-30% of MHI

- ❑ 31-50% of MHI
- ❑ 51-80% of MHI
- ❑ 81-120% of MHI

B. *Facilities Based Reductions*
- *Senior Housing.* Reduction of park and road SDCs for senior housing (assumption: fewer trips and less park use).
- *Disabled Housing.* Reduction of road SDCs for very disabled housing (assumption: fewer trips by car).
- Other identified categories that use roads less.

POTENTIAL STRATEGIES

1. *Deferred and Forgiven SDCs:* A deferral and ultimate forgiveness of fees for housing serving persons at 50% of the MHI. The deferral might be all or a percentage of the fees, to be determined by the local jurisdiction. (Note: Implementation must be in conformance with state law that requires an equitable methodology).
2. *Defer SDCs until permanent financing is in place:* This helps to reduce the cost of financing the housing project, which will reduce the overall cost or rent of individual units.
3. *Graduated SDCs that are linked to the impact of the project:* For instance, seniors may not use parks to the same extent as large families living in multi-family units.

OTHER POTENTIAL STRATEGY

Regional Funding Source: A regional funding source could be used to reimburse jurisdictions for revenue forgone due to deferred/forgiven or deferred SDCs under the need-based reduction approach.

OTHER CONSIDERATIONS

- Waiving fees for affordable housing developments may have the impact of increasing costs for market-rate housing, as the cost of capital improvement projects would be born by the market-rate housing.
- Local governments need funds to pay for the cost of infrastructure that is a result of growth – funds to pay for capital improvements must come from someplace if SDCs are waived or reduced for affordable housing. Many governments are not able to fund needed projects without SDCs.

RECOMMENDATION FOR IMPLEMENTATION

Regional

A. Legal Opinion on Implementation

Request legal opinion from the Metro General Counsel on Metro authority on the implementation of SDC reduction strategies.

B. Guidelines for Implementation

The intent of reducing SDCs is to reduce the cost of producing and operating housing and thereby increase the affordability of housing for the "end user." If one element of development costs is reduced (such as SDCs), it is possible that the other elements of the development equation (construction costs, developers fees, etc.) could rise quickly to absorb the reduction.

Federal, State, and some local funding programs often include a review process to ensure that construction, development and operating costs conform to acceptable benchmarks. However, some local jurisdictions do not currently have a method of ensuring that cost reductions provided by the jurisdiction (such as deferred and forgiven SDCs) result in an increase in housing affordability for the "end user." A mechanism needs to be developed so that a jurisdiction can be assured that the reduction in the cost of an element of the development process is retained in reduced development and operating project costs, rather than being absorbed by increases in the cost of other elements of the development process.

Local jurisdictions should have their legal counsel review any potential SDC reduction programs to ensure conformance to state law.

Local

Items A and B below are types of housing and services to which SDC reductions could be applied.

A. Need Based SDC Reduction Strategies

1. Defer and Forgive SDCs: Fees could be deferred for affordable housing projects serving persons in the highest need income group – those in the less than 50% of the regional median household income category. The fees could be forgiven and canceled by the local government if the property remains in the affordable housing program for a period of time (20 years or more) to be determined by the local government. All or a percentage of the fees may be deferred and the local governments may secure the deferred fees by a second mortgage (in the form of a Trust Deed) which is recorded and treated as a loan and accrues a determined interest per year. In the event that the property is taken out of the affordable housing program before the forgiven period, the owner would be required to pay the principal and accrued interest. (Note: State law limits the methodology that may be used in implementing SDCs. Local governments should ensure that any program conforms to state law).

2. Defer SDCs until permanent financing is in place: Fees could be deferred during the development of affordable housing projects. The property owner would be responsible to pay the SDCs when permanent financing is in place (e.g., certificate of occupancy, tax credit equity arrives, etc.). The property owner would be responsible for payment of SDCs within a defined time frame.

3. Defer SDCs until sufficient project cash flow becomes available. Local governments may decide to charge or not charge interest on the deferred SDCs.

B. Facilities Based SDC Reduction Strategies

1. Graduated SDCs that are linked to the impact of the project on public facilities. Transportation and parks SDCs for housing developments built for seniors or disabled who make fewer trips and use parks less than large families living in multi-family units may be proportionately reduced by the local government. The assumptions are that: a) seniors living on fixed incomes from social security, pensions, or retirement plans and disabled persons who are unable to work to supplement their income have less need to use roads; b) seniors and disabled persons will use parks less frequently than families with children.

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Permit Fees: Non-Land Use Tool

Finalized at the Cost Reduction Subcommittee Meeting: September 8, 1999
Approved by H-TAC: November 29, 1999

PURPOSE

To analyze the feasibility of reducing permit fees in order to create more affordable housing. As part of the Subcommittee analysis, program information was collected from jurisdictions implementing similar strategies.

DESCRIPTION

Building construction has been regulated to protect life, health and property of citizens for many years. State law requires local jurisdictions to provide comprehensive building code enforcement services, including plan reviews and site inspections (ORS Chapter 455). Permit fees are therefore charged to support the review of construction plans and building site inspections to ensure safe buildings that comply with state and local codes.

The amount of a building permit fee is based on the construction type and anticipated market value of the proposed project. Jurisdictions often base permit fees on formulas provided by the State Department of Consumer and Business Services, Building Codes Division. However, jurisdictions do have flexibility in the amount charged for various permit fees as long as they provide the State with a surcharge on fees collected. The surcharge enables the State to administer building codes. Jurisdictions do not require permission from the State to set or change permit fees from year to year, however, jurisdictions must notify the State Building Codes Division of changes in their fee schedule. For instance, the City of Portland raises permit fees each year in accordance with the increase in the COLA.

Building permit fees include charges for all site, plumbing, electrical, mechanical, land use, fire and life safety reviews, as well as subsequent inspections and processing. In general, a permit is required to construct, enlarge, alter, move or demolish any one- or two-family dwelling or related structure. For example:

- Add a room.
- Build, demolish, or move a carport, garage, or shed more than 120 square feet in area.
- Finish an attic, garage, or basement to make additional living space.
- Cut a new window or door opening, or widen existing openings.
- Move, remove, or add walls.
- Apply roofing material when all of the old roofing material is removed and new sheathing is installed.
- Build a stairway.
- Build a retaining wall more than four feet high.
- Build a deck more than 30 inches above grade.
- Put up a fence more than six feet high.
- Move more than 50 cubic yards of earth or any amount of cut/fill on sites affected by waterways or slope hazards.

Examples of Permit Fees in the Metro Region

Below are some examples of permit fees found in a sample of jurisdictions in the Metro region. The jurisdictions are not identified due to the fact that charges may change and the purpose of the information is to provide a range of permit fees to consider the impact they have on the development of affordable housing. Three communities were sampled for single family housing, with permit fees ranging from approximately $1,377 to $1,686 and four communities were sampled for multi-family units, with permit fees ranging from $753 to $1,364.

A. Single Family Dwelling Permit Fees: Examples of permit fees charged by jurisdictions in the Metro region are provided in Table 1.

Table 1
Sample Permit Fees for Single Family Dwelling Development (1)

Type of Permit Fee	City A (3)	City B	City C (4)
Building	$531.80	$443.00	$789.69
Plan Check (Zoning)	$345.67	$288.00	$146.00
Fire & Life Safety	NA	Commercial only	(5)
State Surcharge (2)	$37.23	$71.00	$33.50
Site Design Review	$25.00	Commercial only	(6)
Mechanical	$110.00	$35.00	$85.17
Electrical	$160.00	$130.00	$176.55
Plumbing	$440.00	$410.00	$455.06
Totals	**$1,649.70**	**$1,377.00**	**$1,685.97**

Source: Metro, 1999.

(1) Assumptions: single-family home, approximately 1,500 sq. ft. living space, 400 sq. ft. attached garage with two bathrooms.

(2) State surcharge is currently 7%, but will soon be raised to 8% in the tri-county area.

(3) *City A:* assumes a valuation of $95,000.

(4) *City C:* assumes $80,970 valuation (approximately half of construction and/or market price).

(5) *City C:* Fire & Life Safety not necessarily required for one single family home – would be 40% of building permit fee.

(6) *City C:* Assumes no City design review.

B. Multi Family Dwelling Permit Fees: Examples of permit fees charged for apartment buildings by jurisdictions in the Metro region are provided in Table 2.

Table 2
Sample Permit Fees for Multi Family Dwelling Development: Fee Per Unit

Type of Permit Fee	City A		City B		City C		County X	
	Amount	***Explanation***	***Amount***	***Explanation***	***Amount***	***Explanation***	***Amount***	***Explanation***
Building	$148.06	$550.80 1st $100,000 + $3.20 each additional $1,000/112 Units	$115.70	$433 1st $100,000 + $2.50 each additional $1,000/112 Units	$148.45	$550.80 1st $100,000 + $3.20 each additional $1,000/112 Units	$115.70	$433 1st $100,000 + $2.50 each additional $1,000/112 Units
Plan Check (Zoning)	$96.23	65% of Building Permit Fee	$75.21	65% of Building Permit Fee	$118.45	65% of Building Permit Fee (Plan Check) + 15% of Building Permit Fee (Zoning)	$75.21	65% of Building Permit Fee
Fire & Life Safety	$59.22	40% of Building Permit Fee	$46.28	40% of Building Permit Fee	$59.22	40% of Building Permit Fee	$40.50	35% of Building Permit Fee
State Surcharge	$7.40	5% of Building Permit Fee	$5.79	5% of Building Permit Fee	$7.40	5% of Building Permit Fee	$5.79	5% of Building Permit Fee
Site Design Review	$51.91	[$1,260 + (.5% of Building Valuation between 500K & 1 Million) + (.05% of Building Valuation over 1 Million)]/112 Units	$26.79	$3,000/112 Units	$136.88	Construction Cost (($5,110,000)*.003)/112 Units	$142.35	.312% of Construction Cost/112 Units
Mechanical	$127.05	$13/Heater*4 + $5/Vent Fan*3 + $10/Hood + 5% State Surcharge + 60% Plan Review Fee	$61.75	$10 Permit Issuance + $6/Heater*4 + $3/Vent Fan*3 + $4.50/Hood + 5% State Surcharge + 25% Plan Review Fee	$107.25	($10/Heater*4 + $5/Vent Fan*3 + $10/Hood)*1.65	$61.75	$10 Permit Issuance + $6/Heater*4 + $3/Vent Fan*4 + $4.50/Hood + 5% State Surcharge + 25% Plan Review Fee
Electrical	$221.00	$110 for Wiring + $60 for Service + 5% State Surcharge + 25% Plan Review Fee	$175.50	$85 for Wiring + $50 for Service + 5% State Surcharge + 25% Plan Review Fee	$270.40	$135 for Wiring + $73 for Service + 5% State Surcharge + 25% Plan Review Fee	$249.60	$120 for Wiring + $72 for Service + 5% State Surcharge + 25% Plan Review Fee
Plumbing	$374.40	$15/PFU*11PFU s + $41 Sewer + $41 Water + $41 Storm + 5% State Surcharge + 25% Plan Review Fee	$245.70	$9/PFU*11PFU s + $30 Sewer + $30 Water + $30 Storm + 5% State Surcharge + 25% Plan Review Fee	$516.10	$20/PFU*11PFU s + $65 Sewer + $56 Water + $56 Storm + 5% State Surcharge + 25% Plan Review Fee	$375.70	$11/PFU*11PFU s + ($27 1s 50 Water + $21 each additional 50) +($40 1st 50 Storm + $29 each additional 100) + $53 Sewer + 5% State Surcharge + 25% Plan Review Fee
Totals	**$1,085.27**		**$752.72**		**$1,363.76**		**$1,066.60**	

Source: Marathon Management —January 1999

Assumptions: The information in Table 2 is based on the following assumptions: 8 multi-family buildings with a total of 112 units; Construction valuation total = $6.16 million; Description of unit = 2 bedroom, 2 bath, 950 sf, with washer and dryer hookup; Total Land Area = 6acres = 261,360 sf w/ 255 lineal ft of road frontage; 5% State Surcharge for mechanical, electrical and plumbing charges; 25% Plan Review Fee. Other utility assumptions are impervious surface = 1,250 sf /unit; water meter = one 2 water meter serves two buildings (28 units) = 4 total meters; 11 Plumbing Fixture Units (6 bath PFUs, 3 kitchen PFUs, 1 washing machine and 1 water heater; 100 feet of service for water, sewer and storm drain; 200 amps/unit of service (electrical).

EXAMPLES OF PERMIT FEE REDUCTIONS

Below are some examples of jurisdictions in Oregon that reduce or waive permit fees for affordable housing.

Permit Fee Waiver or Exemption for Affordable Housing

City of Portland
The Portland Development Commission administers the City of Portland's program for waiver of city development fees for nonprofit developers of affordable housing. Fee waivers are available for items including building permits and zoning fees. Each year the City sets aside a dollar amount to be used for permit fee waivers (recently the amount has been $500,000).

The Bureau of Buildings has a separate policy that supports non-profit agencies that are doing projects with volunteer labor. Fees normally charged for inspections, plan review and other services are waived for qualifying agencies within certain guidelines. For example a maximum of $500 per project and $2,500 per agency per fiscal year will be waived for approved projects.

City of Eugene
The City of Eugene waives planning and development permit fees (building permit, etc.) for affordable housing projects, up to a total of $50,000 each year. The amount of money allocated to permit fee waivers must be used during each fiscal year, and does not roll over to the next year. The program began in 1998 with an administrative decision and did not require City Council approval.

HOW SHOULD PERMIT FEE REDUCTIONS BE APPLIED?

Below are types of housing and services to which permit fee reductions could be applied:

- *Senior housing:* For seniors living on fixed incomes from social security, pensions, or retirement plans who are unable to find safe, decent housing that costs 30% of their household income.
- *Disabled housing:* For people living on SSI who are typically unable to work to supplement their incomes and are unable to find safe, decent housing that costs 30% of their household income.
- *H-TAC defined income groups:* Housing based on H-TAC defined income levels, especially to meet fair share goals focused on households in the lower two categories.
    - 0-30% of MHI
    - 31-50% of MHI
    - 51-80% of MHI
    - 81-120% of MHI

POTENTIAL STRATEGIES

1. *Deferred and forgiven permit fees:* A deferral and ultimate forgiveness of fees for housing serving persons at 50% of the MHI. The waiver might be all or a percentage of the fees, to be determined by the local jurisdiction. Jurisdictions may have to use other resources to cover the cost of forgiven permit fees.
2. *Defer permit fees until permanent financing is in place:* This helps to reduce the cost of financing the housing project, which will reduce the overall cost or rent of individual units.

OTHER POTENTIAL STRATEGY

Regional funding source: Use of Regional Fund to pay for permit fees for affordable housing.

OTHER CONSIDERATIONS

- Waiving or reducing permit fees for affordable housing may reduce the ability of local governments to carry out their duties.

- Equity issue – is it fair to reduce permit fees for a specific class of people and not others?

RECOMMENDATION FOR IMPLEMENTATION

Regional

A. Guidelines for Implementation

The intent of reducing permit fees is to reduce the cost of producing and operating housing and thereby increase the affordability of housing for the "end user." If one element of development costs is reduced (such as permit fees), it is possible that the other elements of the development equation (construction costs, developers fees, etc.) could rise quickly to absorb the reduction. Federal, State, and some local funding programs often include a review process to ensure that construction, development and operating costs conform to acceptable benchmarks. However, some local jurisdictions do not currently have a method of ensuring that cost reductions provided by the jurisdiction (such as deferred and forgiven permit fees) result in an increase in housing affordability for the "end user." A mechanism needs to be developed so that a jurisdiction can be assured that the reduction in the cost of an element of the development process is retained in reduced development and operating project costs, rather than being absorbed by increases in the cost of other elements of the development process.

Local jurisdictions should have their legal counsel review any potential permit fee reduction programs to ensure conformance to state law.

B. Legal Opinion on Regional Implementation

Request legal opinion from the Metro General Counsel on Metro authority on the implementation of permit fee reduction strategies.

Local

A. Need Based Permit Fee Reduction Strategies

1. Defer and Forgive Permit Fees: Fees could be <u>deferred</u> for affordable housing projects serving persons in the highest need income group – those in the less than 50% of the regional median household income category. The fees could be <u>forgiven</u> and canceled by the local government if the property remains in the affordable housing program for a period of time (20 years or more) to be determined by the local government. A local jurisdiction could consider designating a set amount in their budget each year to be used for permit fee waivers for low-income housing. After the set amount has been used up, then no additional waivers would be provided. Forgiven permit fees are paid for by the local jurisdiction from other funds. (Note: A local government is not required to pay the State a surcharge on fees not collected. In other words, the State surcharge only applies to fees that are *collected*).

2. Defer permit fees until permanent financing is in place: Fees could be deferred during the development of affordable housing projects. The property owner would be responsible to pay the permit fees when permanent financing is in place (e.g., certificate of occupancy, tax credit equity arrives, etc.). The property owner would also be responsible to pay the permit fees within a defined time frame.

3. Defer permit fees until sufficient project cash flow is available. Local governments may decide to charge or not charge interest on the deferred permit fees.

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Property Tax Exemption: Non-Land Use Tool

Finalized at the Cost Reduction Subcommittee Meeting: October 7, 1999
Approved by H-TAC: November 29, 1999

PURPOSE

To analyze the feasibility of providing property tax exemptions or abatements in order to create more affordable housing. As part of the Subcommittee analysis, program information was collected from some jurisdictions implementing similar strategy.

DESCRIPTION

All real property within the State of Oregon is subject to assessment and taxation in equal and ratable proportion (ORS 307.030) unless exempted as provided by State law. Local governments and the State collect percentages of the property tax collected, which is subject to voter-approved limits such as Measure 5 and Measure 47/50.

Property tax is one of the factors affecting the supply of affordable housing, hence some jurisdictions allow property tax exemptions to owners of housing units targeted for low-income residents, which in turn allows the owners to reduce rents.

There are several types of property tax exemptions for affordable housing that are available in Oregon by law. Statutes relevant to the H-TAC Cost Reduction Subcommittee evaluation of this strategy are outlined below.

1. The State offers funded property tax exemptions for elderly housing furnished by private nonprofit corporations (ORS 307.242).

2. The State offers property tax exemptions for homes of veterans or spouses of veterans (ORS 307.250), and homes provided to veterans (ORS 307.370).

3. The State allows local governments to provide property tax exemptions for low-income rental housing, subject to restrictions (ORS 307.515). The exemption is limited to the tax levy of the governing body providing the exemption, and may only be offered under the following conditions:

    > The exemptions…shall apply to the tax levy of all taxing districts in which property certified for exemption is located when, upon request of a governing body that has adopted the provision of ORS 307.515 to 307.523, the rates of taxation of such taxing districts whose governing boards agree to the policy of exemption, when combined with the rate of taxation of the governing body that adopts the provisions of ORS 307.515 to 307.523, equal 51 percent or more of the total combined rate of taxation on the property certified for exemption. (ORS 307.519)

    A property tax exemption given to low-income rental housing under these provisions may be provided for a period of 20 years. Since one local government rarely receives 51 percent of the property tax levied on a property, these provisions generally require cooperation between two or more taxing districts to meet the requirements to provide a full property tax exemption. A jurisdiction is able to exempt only its own share of property taxes without approval from other taxing districts. The enabling legislation for this statute was extended and will now sunset in 2010, after which local governments using the program will be required to request that the legislature provide re-enabling legislation.

4. The State allows local governments to provide property tax exemptions for low-income rental housing owned by a nonprofit corporation, subject to restrictions (ORS 307.540 to 307.547).

The exemption is limited to the tax levy of the governing body providing the exemption, and may only be offered under the following conditions:

> (a) The property is owned or being purchased by a corporation that is exempt from income taxes…(c) The property is: (A) Occupied by low income persons; or (B) Held for future development as low income housing. (d) The property or portion of the property receiving the exemption, if occupied, is actually and exclusively used for the purposes [previously] described… (ORS 507.541)

A property tax exemption given to low-income rental housing under these provisions must be applied for each assessment year. The tax exemption applies only to the tax levy of the jurisdiction unless approval of other governing bodies is obtained, which together equals 51% or more of the total combined rate of taxation levied on the property.

5. The State enables cities to grant local property tax exemptions for newly constructed multiple unit rental housing located in proximity to central business districts, transit oriented areas and light rail station areas (ORS 307.600 to 307.690). Such programs shall result in the construction, addition or conversion of units at rental rates or sale prices accessible to a broad range of the general public. A city or county must designate areas in which to allow exemptions, and must develop standards and guidelines to be utilized in considering applications for property tax exemptions. The standards and guidelines may include rental rates or sales prices. The exemption only applies to multiple unit housing, and the property tax exemption may only be provided for 10 years.

   The tax exemption applies only to the tax levy of the city unless approval of other governing bodies is obtained, which together equals 51% or more of the total combined rate of taxation levied on the property. The enabling legislation for this statute will sunset in 2006, after which local governments using the program will be required to request that the legislature provide re-enabling legislation.

6. The State allows local governments to provide property tax exemptions for single family housing in distressed areas (ORS 458.005 to 458.065).

   > **458.010** (1) The Legislative Assembly finds it to be in the public interest to stimulate the construction of new single family residences in distressed urban areas in this state in order to improve in those areas the general life quality, to promote residential infill development on vacant or underutilized lots, to encourage homeownership and to reverse declining property values.

   A city must adopt a resolution identifying the “distressed areas” in which to apply the property tax abatement, the total area of which may not exceed 20% of land in the city limits. The tax exemption applies only to the tax levy of the city unless approval of other governing bodies is obtained, which together equals 51% or more of the total combined rate of taxation levied on the property. Property tax exemptions provided under this statute shall be allowed for no more than 10 years. The enabling legislation for this statute will sunset in 2003, after which local governments using the program will be required to request that the legislature provide re-enabling legislation.

7. The State enables local governments to adopt legislation to provide property tax exemptions for rehabilitated residential property, single family and multi-family units that are located in distressed areas (ORS 308.450 to 308.481).

   > **308.453 Policy.** The Legislative Assembly finds that it is in the public interest to encourage the rehabilitation of existing units in substandard condition and the conversion of transient accommodation to permanent residential units and the conversion of nonresidential structures to permanent residential units in order to make these units sound additions to the housing stock of

> the state. The Legislative Assembly further finds that cities and counties of this state should be enabled to establish and design programs to stimulate such rehabilitation and or conversion based on the incentive of a local property tax exemption.

A city must adopt a resolution identifying the "distressed areas" in which to apply the property tax abatement, the total area of which may not exceed 20% of land in the city limits. The tax exemption applies only to the tax levy of the city unless approval of other governing bodies is obtained, which together equals 51% or more of the total combined rate of taxation levied on the property.

Structures must not be in substantial compliance with local codes at the time of application, and are subject to a minimum rehabilitation improvement value of (1) five percent of assessed value of land and improvements for properties of less than 25 years of age or (2) 50 percent or more of the assessed value of land and improvements regardless of the age of the property. The taxation rate on a property under this program shall not be more than its assessed value prior to any rehabilitation improvements, and this reduced rate may be assessed for no more than 10 consecutive years. The enabling legislation for this statute will sunset in 2008, after which local governments using the program will be required to request that the legislature provide re-enabling legislation.

8. All property that is owned by a public housing authority is automatically exempt from property taxes (ORS 456.225). In lieu of property taxes, a housing authority "may agree to make payments to the city, county or any such political subdivision for improvements, services and facilities furnished…but in no event shall such payments exceed the estimated cost…"

PROPERTY TAX RATES IN THE METRO REGION

Property taxes collected from jurisdictions within the Metro region are shown in the table below.

Table 1. Property Tax Rates in the Metro Region – 1999

Jurisdiction	Low/High Range of Consolidated Property Tax Rates
Beaverton	15.0255 – 16.9965
Cornelius	13.8920 – 16.1257
Durham	10.8040 – 12.3290
Fairview	15.8273 – 15.9800
Forest Grove	15.2238 – 15.7406
Gladstone	14.1579 – 17.2718
Gresham	16.4434 – 17.4202
Happy Valley	14.1913 – 14.3439
Hillsboro	13.7007 – 16.1600
Johnson City	13.3000
King City	13.3624
Lake Oswego	15.5475 – 17.9884
Maywood Park	16.3452
Milwaukie	16.5240 – 17.4186
Oregon City	16.4051
Portland	13.2142 – 20.7872
Rivergrove	11.0177 – 12.0353
Sherwood	14.4650 – 15.9900
Tigard	12.9402 – 15.2174
Troutdale	16.3718 – 18.1952
Tualatin	14.2046 – 17.0504
West Linn	14.3436 – 17.2314
Wilsonville	14.8546 – 17.3832
Wood Village	15.6160
Clackamas Co., uninc.	12.4463
Multnomah Co., uninc.	11.4086 – 19.7659
Washington Co., uninc.	8.1591 – 14.8607

Source: Clackamas County Tax Assessor, Multnomah County Tax Assessor, Washington County Tax Assessor, 1999.

EXAMPLES OF PROPERTY TAX EXEMPTION PROGRAMS

City of Portland

The City of Portland has collaborated with the Portland School District and Multnomah County to gain the 51 percent valuation needed to authorize property tax exemptions for various programs. The City has developed a program that provides an array of property tax exemptions for affordable housing and transit-oriented development. *(See Table 2 on page 71).*

City of Eugene

The City of Eugene, after adopting ORS 307.600 to 307.690, offers a property tax exemption for multi-family low-income rental housing. The program is provided to enable the city to support the concept of a compact growth form, and increase multi-family development in the core business district.

The property tax exemption is available for housing on eligible property within the city limits of Eugene that is owned by a nonprofit corporation, and that is actually and exclusively occupied by low income people (at or below 60% MFI). Proposed developments must also include one or more public benefits, such as open spaces, recreational facilities, common meeting rooms, and day care facilities. The City Council must adopt a resolution to include a property in the property tax exemption program.

As outlined in City Code, the property tax exemption must be renewed each year. The property tax exemption is offered in the downtown and University areas of the city (Eugene City Code, Chapter 2, 2.910 to 2.947).

City of Tigard

The City of Tigard, after adopting ORS 307.540 to 307.547, has offered a property tax exemption for low-income housing owned by nonprofit corporations since 1996. The program is provided to further enable the city to meet affordable housing goals. To qualify for this property tax exemption, a property must be owned by a nonprofit corporation or by a partnership in which the nonprofit corporation is a general partner. The property tax exemption must be applied for each assessment year (Tigard City Code, 3.50.010 to 3.50.050).

Table 2. Summary of City of Portland Property Tax Abatement Programs*

	Non-Profit (3.101)	Rental Rehab (3.102)	Owner-occupied Rehab (3.102)	New Single-Family Construction (3.102)	Transit Oriented Development (3.103)	New Multi Family (Chapter 3.104)
Program Goal	Promote housing for very low-income renters	Promote rehabilitation of rental housing	Promote rehabilitation of housing in "Distressed Areas" as designated by the Planning Commission	Promote new housing in "Distressed Areas" as designated by the Planning Commission	Promote residential and mixed use development in transit oriented areas.	Promote new multiple unit housing in the Central City area
Household Incomes Served	Earn less than 60% of Median Area Income	High/moderate/low income	Mostly low and moderate income	Mostly moderate income	All income levels with some affordability component	All income levels
Applicant/ Project Eligibility	Non-profit housing developer certified by IRS as 501(c)(3) or (4) organization	For structures built before 1961, improvements at time of application must be worth more than 10% of assessed value; if built after 1961, improvements must be worth more than 50% of assessed value	For structures built before 1961, improvements at time of application must be worth more than 10% of assessed value; if built after 1961, improvements must be worth more than 50% of assessed value	Houses which meet geographic and value restrictions may qualify	For-profit or non-profit housing developer of 8 or more rental or for-sale multiple dwelling units.	For-profit or non-profit housing developer of 10 or more rental or for-sale multiple dwelling units.
Restrictions	Resident income must be at or below 60% or median area income	Owner signs "Affordability Agreement," keeping 20% of the units affordable to incomes of 60% or less of median area income	Houses in "Distressed Areas" only are eligible	City Council sets yearly maximum sales and appraisal price, as recommended by the Planning Bureau, for new homes in "Distressed Areas" (1999 price: $145,425)	Owner must provide one or more public benefits listed in code. May include rent and sales price limits.	Owner must provide one or more public benefits listed in code. May include rent limits
Geographic limitations	Applicable within City of Portland	Applicable within City of Portland	City neighborhoods designated as "Distressed Areas"	City neighborhoods designated as "Distressed Areas"	Areas within 1/4 mile of existing light rail lines and other transit oriented areas shown on maps.	Central City Plan District boundary or any urban renewal or redevelopment area
Project Review & Approval	Planning Bureau (staff only)	Portland Development Commission (staff only)	Portland Development Commission (staff only)	Portland Development Commission (staff only)	Portland Development Commission and City Council resolution of approval	Portland Development Commission and Planning Bureau (PDC, Planning Commission and City Council approval required)
Length of Abatement	One year with annual renewals	Ten years	Ten years	Ten years	Ten years	Ten years
What is taxed?	Ineligible (e.g., commercial) land/improvements	Assessed Value before rehabilitation	Assessed Value before rehabilitation	Land and appreciation on the house	Land but not improvements	Land but not improvements
Application Fee	$250 new, $50 renewals	$300 plus $5 for every unit over two and appraisal fees	$300 plus $75 appraisal fee	$300 plus $75 appraisal fee	$5,000	$5,000

Revised June 9, 1999

***Please consult applicable City ordinance or program application materials for detailed requirements.**

HOW SHOULD PROPERTY TAX EXEMPTIONS BE APPLIED?

Below are types of housing for which property tax exemptions could apply:

Rental Housing

- *Senior housing:* For seniors living on fixed incomes from social security, pensions, or retirement plans who are unable to find safe, decent housing that costs 30% of their household income.
- *Disabled housing:* For people living on SSI who are typically unable to work to supplement their incomes and are unable to find safe, decent housing that costs 30% of their household income.
- *H-TAC defined income groups:* Housing based on H-TAC defined income levels, especially to meet fair share goals focused on households in the lower two categories.
  - 0-30% of MHI
  - 31-50% of MHI

Owner Occupied Housing

- *Senior housing:* For seniors living on fixed incomes from social security, pensions, or retirement plans who are in danger of being displaced from neighborhoods due to increased property taxes.
- *H-TAC defined income groups:* Housing based on H-TAC defined income levels.
  - 51-80% of MHI
  - 81-120% of MHI

Transit Oriented Development

To encourage the development of transit efficient housing that both reduces congestion and provides some affordable units.

Preservation and Rehabilitation of Rental and Owner Occupied Housing

Communities should provide incentives to enable local and regional goals to be met. Fair share goals are currently targeted towards housing for households earning 50% of regional median income or less, which is the housing that costs the most to provide. Jurisdictions should consider providing incentives that allow for the preservation and rehabilitation of existing affordable units as the most cost effective way of meeting fair share goals. Tax abatements for both renter and owner occupied housing that is to be rehabilitated provide one of the few incentives that is not focused on the development of new units.

POTENTIAL STRATEGIES

1. *Provide information.* Some local governments do not know how to use their authority to provide property tax exemptions for affordable housing.
2. *Consider property tax exemptions for highest need housing – for households 50% and less MHI.* This would further enable the region to reach fair share goals.
3. *Consider providing property tax abatements or exemptions for renter and owner occupied housing rehabilitation.* Preserving and rehabilitating existing affordable housing is the most cost effective method available to provide affordable housing in this region.

OTHER CONSIDERATIONS

- It may be difficult for some local governments to form partnerships with other taxing authorities in order to reach the 51% needed to provide a full property tax exemption for low-income housing.
- Many jurisdictions are facing budget cuts after Measure 50, and may not be interested in foregoing additional revenue even for affordable housing.
- Phased in property taxes could address the "cold turkey" shock of paying taxes after reaching the end of a 10 year (or other time period) tax abatement.

- Currently there are numerous housing developments that are about to face the end of a ten year term of property tax abatements – it will be difficult for property owners to maintain these units as affordable without some sort of assistance. The 1999 Legislature passed HB 3211, which amended portions of ORS 307.600 - 307.691 to allow local jurisdictions to extend tax abatements past the 10-year time period.

RECOMMENDATION FOR IMPLEMENTATION

Regional

1. Provide information.

Some local governments do not know how to use their authority to provide property tax exemptions for affordable housing.

2. Guidelines for Implementation

The intent of providing property tax exemptions for affordable housing is to reduce the cost of producing and operating housing and thereby increase the affordability of housing for the "end user." If one cost factor is reduced, it is possible that the other elements of the development equation (construction costs, developers fees, etc.) could rise quickly to absorb the reduction.

Federal, State, and some local funding programs often include review processes to ensure that construction, development and operating costs conform to acceptable benchmarks. However, some local jurisdictions do not currently have a method of ensuring that cost reductions provided by the jurisdiction (such as a property tax exemption) result in an increase in housing affordability for the "end user." A mechanism needs to be developed so that jurisdictions can be assured that the reduction in the cost of an element of the development process is retained in reduced development and operating project costs, rather than being absorbed by increases in the cost of other elements of the development process.

Local jurisdictions should have their legal counsel review any potential property tax exemption programs to ensure conformance to state law.

Local

1. Consider property tax exemptions for highest need housing – for households 50% and less MHI.

This would further enable the region to reach fair share goals.

2. Consider providing property tax abatements or exemptions for renter and owner occupied housing preservation and rehabilitation.

Preserving and rehabilitating existing affordable housing is often the most cost effective method available to provide affordable housing in this region.

3. Consider providing property tax abatements or exemptions for owner occupied housing

- *Senior housing:* For seniors living on fixed incomes from social security, pensions, or retirement plans who are in danger of being displaced from neighborhoods due to increased property taxes.
- *H-TAC defined income groups:* Housing based on H-TAC defined income levels.
  - 51-80% of MHI
  - 81-120% of MHI

4. Consider extending tax abatements after the 10-year time period in return for a commitment by the property owner for long-term affordability.

This could provide additional units of affordable housing for lower income households that would not otherwise be available.

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Land Cost and Availability: Non-Land Use Tool

Finalized at the Cost Reduction Subcommittee Meeting: January 25, 2000
Approved by H-TAC: February 14, 2000

PURPOSE

To identify and analyze strategies to address land cost and availability in order to provide more opportunities to develop affordable housing in the Metro region. As part of the subcommittee analysis, program information was collected from jurisdictions implementing similar programs.

DESCRIPTION

When the supply of land available to develop for housing is limited, the funding for public improvements lacking and demand for additional housing is high, the cost of land increases. The cost of land is generally dictated by the workings of the market, while the availability of developable land that is zoned for housing is dependent on local, regional and state governments' policies as well as public investment in roads, sewers, and other public facilities.

The urban growth boundary (UGB) delineates the area in which urban development may occur. Outside of the UGB urban services such as sewer and water may not be provided, thus making more dense development impossible. This has the impact of reducing the overall land supply, therefore reducing the amount of land available for residential development and thus increasing the cost of land, unless more efficient use of land within the UGB is allowed and marketable.

Studies have shown that housing developers currently are having difficulties with the cost of land and scarcity of large pieces of land on which to build. These conditions reduce the opportunity for builders to develop economies of scale. These impacts are likely to affect single family units more than multi-family units, as a multi-family development is able to absorb the higher land costs by increasing density.

The *Oregon Housing Cost Study* (December 1998) showed that homebuilders in Oregon operate at a smaller scale than typical for other parts of the country. There are smaller companies producing homes at relatively low volumes. The fragmented building industry also contributes to a lack of economies of scale, which potentially results in higher costs to produce housing. Small builders may be hard pressed to produce affordable housing that is appropriate for infill lots located in existing neighborhoods due to the cost of plans and designs as well as difficulty in locating potential lots. Additionally, expectations for "starter homes" have changed over the years, with many builders operating under the perception that homes will not sell without certain amenities, which also increase cost.

EXAMPLES OF METHODS OF ADDRESSING LAND COST AND AVAILABILITY

Below are some strategies currently utilized in Oregon to reduce the cost of land used for the development of affordable housing.

A. Public Donation of Property for Affordable Housing

State law grants governmental bodies the right to transfer title of developed and undeveloped property that is no longer needed for public use to a different public agency or a nonprofit corporation for another public purpose as defined by the State (ORS 271.330). The law includes "transfers without consideration of property held by counties as a result of tax foreclosures."

> **ORS 271.330** (2)(a) Any political subdivision is granted express power to relinquish the title to any of its property to a qualifying nonprofit corporation or a municipal corporation for the purpose of providing any of the following:
> (A) Low income housing;

(B) Social services; or
(C) Child care services.

1. Donation of Publicly Owned Property
The statute outlined above enables local governments and other public agencies to donate property for use as affordable housing. Cities may be particularly interested in donating abandoned properties or properties with outstanding city liens for use as affordable housing. However, any publicly owned land that is no longer needed for public purposes may be donated for providing affordable housing.

2. Donation of Tax Foreclosed Property
ORS 271.330 enables counties to donate tax-foreclosed property to nonprofit corporations or other government agencies for low-income housing purposes.

Counties are sometimes in the position of foreclosing on developed and undeveloped property on which property taxes have not been paid for an excessive length of time. This land may be used or disposed of by the county after foreclosure procedures are complete. Thus, the county acquires foreclosed properties for much less than their market value. One strategy to address the need for additional affordable housing is to develop a program in which a county donates tax-foreclosed properties to other government agencies or nonprofit developers to use for affordable housing. This allows the housing to be developed at a much lower cost and provided at a much lower price or rent.

Clackamas County
The Clackamas County Policy for Sale and Transfer of County Surplus Real Property contains the guidelines for disposing of property that is acquired by the county and is not needed for county use. All such property must be declared surplus, except as otherwise provided for by statute or deed restriction. The properties are sold at either oral or sealed bid public auction.

Section V of the policy - Criteria for Transfers to Government Agencies - provides the guidelines under which tax foreclosed property (or other property that is placed on the list to be auctioned) may be transferred to another government agency. When evaluating whether or not to approve a transfer, the highest consideration is whether the use proposed by the requesting agency is the "highest and best use for the property." The use of tax foreclosed properties for affordable housing has occurred infrequently in recent years.

Multnomah County
Multnomah County's Affordable Housing Development Program (AHDP), revised in 1997, was created to "foster the development of affordable housing for lower income families using the inventory of County tax foreclosed property." County Ordinance 895 allows the no cost transfer of tax-foreclosed properties to nonprofit housing sponsors and sets notification, selection and transfer requirements. The County also allows the transfer of tax foreclosed properties for use as parks, open space, and community gardens.

A property list is published each year, and is mailed to local governments, neighborhood associations, and nonprofit housing providers. Eligible applicants have 45 days to apply for available properties, and must pay a $50 application fee for each property. A technical review committee reviews applications and prioritizes them on the basis of a variety of criteria. The criteria focus on organizational capacity to develop, finance, and maintain the project; community support; and extra points are awarded for serving lower income groups and providing long term affordability.

The technical review committee makes recommendations to the Board of County Commissioners, public hearings are held, and then the transfers are approved or disapproved. For successful applicants, a $200 nonrefundable transfer fee is charged for each property. Multnomah County anticipates three different housing models, with differing contractual and lien documents, to result from the Affordable Housing Development Program.

Model #1 – Homeless Shelter or Special Needs Housing
- County and developer sign an Agreement, secured by a promissory note and trust deed in the amount of the tax arrears and penalties.
- The agreement and lien documents would stipulate that the face amount of the note be reduced by 20% per year to be completely forgiven after five years.
- If the property is sold or the use changes prior to the five year term, the balance of the note shall be payable to the County.

Model #2 – Affordable Rental Housing
- Performance is secured by an Agreement, secured by a note and trust deed as outlined above.
- Restrictions described in the encumbering documents will ensure low-income renters housing affordability.
- Term of restrictions will last 10 years.
- Total encumbrance would be due and payable only if the developer breaches the terms of the Agreement.
- Applicants are strongly encouraged to propose housing affordable to households earning 50%MHI or less.

Model #3 – Home Ownership
- County and developer sign an Agreement secured by a trust deed for the amount of tax arrears.
- Agreement specifies beneficiaries, project completion, and marketing term to qualified lower income buyer, two years from transfer to sale.
- At sale, the County's trust deed would transfer to the property buyer as a second mortgage. The second mortgage would be performance based, enforcing a five-year occupancy and no sale or rental requirement.
- If the property is sold prior to the sunset of the second mortgage, title search at escrow would show the encumbrance due and payable. (Multnomah County Affordable Housing Development Program, p.5)

In 1999, Multnomah County had 65 properties on their list of tax foreclosed properties available to the AHDP/Openspace programs. Of these, 22 were transferred to nonprofits for affordable housing development.

Washington County
Although Washington County does not have a formal program to donate tax-foreclosed properties for affordable housing, they have adopted an ordinance that allows them to do so.

B. Private Donation of Land for Affordable Housing

There are many examples of situations around the country and in Oregon where private organizations have donated land for affordable housing. Such donations, when made to a nonprofit housing provider, may frequently be written off income taxes, and may also increase the positive public image of a corporation or private organization. Some private organizations find that their mission is well served by donating land to be used as housing for those in need, such as faith based or fraternal organizations. Local and regional governments can encourage programs such as those highlighted below.

Faith Based Organizations

The mission of faith based organizations is often well served by providing land for use as affordable housing. Some faith based organizations develop housing themselves; others either donate or lease land to nonprofit housing developers. Many housing units have been developed on property donated by faith based organizations in the region, including a group home for persons infected with

HIV/AIDS developed by Northwest Housing Alternatives in Milwaukie. An analysis of vacant tax exempt land in the Metro Regional Land Information System shows that faith based organizations own approximately 700 acres of undeveloped land in the Metro region (Clackamas County = 214 acres; Multnomah County = 282 acres; Washington County = 204 acres).

Private Developers
A housing developer planning to develop a large tract of land may wish to partner with a nonprofit to build affordable housing on a portion of the property. The land may or may not be donated. A program such as this would be more effective when combined with incentives such as a density bonus or fee waiver.

Employer related housing programs
Large employers have a big impact on the housing needs of a community, especially when the profile of their employees varies from that of the area in which the employer locates. Some employers have developed programs to address the needs of their employees. Emanuel Hospital is one example. *[Program information will be added soon, when available]*

C. Landbanking for Affordable Housing
The development of affordable housing depends, to a large degree, on the availability of sites. Landbanking is a technique whereby a city or county, in anticipation of future development, acquires vacant land, underutilized sites, or properties with the potential for reuse or rehabilitation. Landbanking gives a community direct control over the location, timing, and type of housing built. Jurisdictions are also able to assemble smaller properties over time to create sites for larger projects.

City of Eugene
The City of Eugene Landbank program was first established in 1982, and subsequently revised in 1990. The purpose of the program is to have a supply of vacant land available to support the development of public-purpose housing.

The program is designed to ensure that builders who participate in public-purpose housing programs will have appropriate sites available. The Eugene Planning and Development Department operates the program with policy direction from the Eugene Planning Commission. As funds become available, the city identifies appropriate parcels of land for subsidized or specialized housing projects. An appropriate property accounts for purchase price, location, conformity with city policies such as a housing dispersal plan, proximity to services, and land use designations. Once the city acquires title, the parcel is “banked” to await development proposals. Typically, the city uses an RFP process to identify nonprofit and for-profit developers, or public agencies that could best develop the land for affordable housing. Added consideration may be given to developers who propose to reimburse the city for investment in the land, but projects may receive a partial or total land cost write-down if such a subsidy is crucial to the success of the development.

Since the city holds title to the properties, developers are able to investigate potential development without incurring the costs associated with site search, zoning changes, land assembly, negotiations with multiple owners, or expensive options.

Appropriate developments include housing for low- and moderate-income households, housing for the disabled, or other public-purpose housing projects. “The availability of land in public ownership was the catalyst for the Uhlhorn Apartments (the 38 units currently under construction by the Housing Authority), the St. Vincent de Paul duplex, and the soon to be constructed Laurel Grove Apartments” (Eugene City Council Agenda, December 10, 1990).

The city allocates $300,000 of CDBG funds each year to the Low-Income Housing Trust Fund to be used to purchase parcels for the Landbank Program. With these funds the city is able to purchase an appropriate site every one or two years, depending on the prices and market conditions.

Portland Regional Acquisition Fund: City of Portland/Enterprise Foundation

The Portland Regional Land Banking Program is a proposed partnership between The Enterprise Foundation and the Housing Development Center, with support and coordination provided by the City of Portland and other local jurisdictions. The purpose of the fund is to acquire and hold development sites throughout the region, preserving the opportunity for the creation of community-based developments. The fund may also provide an opportunity to the public sector to leverage private sector resources.

The Enterprise Foundation and the Housing Development Center will be the managers of the fund. Enterprise will provide general management and develop policies and procedures, while the Housing Development Center will be responsible for site identification and due diligence. The fund will function as a revolving account, providing local jurisdictions the opportunity to access the fund by providing loan guarantees to purchase property.

HOW SHOULD LAND COST AND AVAILABILITY STRATEGIES BE APPLIED?

Due to the lack of availability of large tracts of developable land in the Metro region, strategies to impact the cost and availability of land for housing should focus on increasing infill and redevelopment opportunities. A variety of strategies can be used, depending on the type of organization responsible for or receiving a benefit from the strategy.

Government

- Donation of publicly owned land, including tax foreclosed properties.
- Land Banking
- Public/private partnerships to develop designs and plans that meet local codes and neighborhood expectations.

Nonprofits/Foundations

- Donation of land by faith based organizations and other entities
- Community Land Trust is an important tool that can be used to address the cost and availability of land for affordable housing. This tool is being addressed by the Regulatory Strategies Subcommittee.

Builders/Private Industry

A public/private partnership could be designed to support smaller builders transitioning to infill by developing tools such as:

- Lot, infill locator
- Design/subdivision assistance (similar to the Portland Design Center)
- Design awards recognizing good infill examples
- Hold meetings with homebuilders/realtors/designers to coordinate more infill and redevelopment
- Internet or other database of possible sale opportunities

POTENTIAL STRATEGIES

- *Donation of publicly and privately owned property.* Jurisdictions could cooperate with nonprofits to identify and donate publicly owned land that is no longer in use to be used for affordable housing. Encourage increased donation of tax-foreclosed properties and donations by private organizations to nonprofits and public agencies to be used for the development of affordable housing. Jurisdictions could also encourage private corporations and faith based organizations to donate land for affordable housing.

- *Land banking.* Jurisdictions could consider participating in the Enterprise Foundation's revolving fund land bank program, or consider establishing a local landbanking program using local or CDBG funds to support the development of additional affordable housing.
- *Support smaller builders.* Jurisdictions could consider the creation of several subregional, or one regional, program to support smaller builders in the creation of affordable housing. Efforts could be focused on infill and redevelopment opportunities, and local jurisdictions could provide direction on designs or plans that meet building codes and are appropriate for existing neighborhoods.

OTHER CONSIDERATIONS

- The market plays the largest role in determining the cost of land and often its availability, while government plays a much smaller part in impacting this cost factor. There are taxation and regulatory tools that could impact the market, but these are outside the scope of this report.

RECOMMENDATION FOR IMPLEMENTATION

Metro does not have the authority to require the implementation of any of the strategies to address land cost and availability that are described above. Strategies outlined below would help jurisdictions in the Metro region move towards meeting regional affordable housing production goals and encourage the development of additional affordable housing in the region.

Regional

1. Facilitate public/private partnerships.

Jurisdictions could cooperate to create subregional or regional public/private partnerships to facilitate the development of affordable housing, focused in redevelopment or infill areas. Examples include:

- *Support smaller builders.* Tools could be developed including, but not limited to, the following:
  - Inventory of infill lots available for redevelopment/new development
  - Design/subdivision assistance (similar to the Portland Design Center), including plans that meet codes and neighborhood expectations
  - Design awards recognizing good infill examples
  - Hold meetings with homebuilders/realtors/designers to coordinate more infill and redevelopment
  - Internet or other database of possible sale opportunities

Local

1. Donation of publicly owned property.

Jurisdictions could cooperate with nonprofits to identify and donate publicly owned land that is no longer in use to be used for affordable housing. Temporary use of such land could be considered by jurisdictions. Encourage increased donation of tax foreclosed properties to nonprofits and public agencies to be used for the development of affordable housing.

2. Donation of privately owned property.

Jurisdictions could encourage private corporations and faith based organizations to donate land for affordable housing.

3. Land banking.

Jurisdictions could consider participating in the Enterprise Foundation's revolving fund land bank program, or consider establishing a local landbanking program using local or CDBG funds to support the development of additional affordable housing.

4. Community Land Trusts (CLTs).

Jurisdictions could encourage the development of community land trusts and other limited equity affordable housing options. *(More information on CLTs may be found in the Long-Term and Permanent Affordability strategy).*

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Off Site Improvements: Non-Land Use Tool

Finalized at the Cost Reduction Subcommittee Meeting: February 15, 2000
Approved by H-TAC: February 28, 2000

PURPOSE

To analyze the feasibility of reducing requirements for off site improvements in order to reduce the cost of creating affordable housing. As part of the analysis attempts were made to collect information from jurisdictions that have off site improvement standards.

DESCRIPTION

Off site improvements are often required of developers to ensure that a development has adequate public facilities and services to serve the site and to extend the public facilities to provide for logical continuation of a local government or special district street and utilities systems. Off site improvements typically fall in two categories: 1) traffic or street related items, or 2) on-site storm drainage facilities. Traffic improvements may include traffic lights, sidewalks, and general street improvements. Storm drainage improvements may include storm drainage, on-site stormwater quality control, water distribution and fire protection.

In most cases a developer constructs the off site improvement. However, in some cases where the development is in a Local Improvement District, the developer may be given the option to pay the local government or special district to do the construction. It should be pointed out that when the developer chooses to pay off site improvements fees to the local jurisdiction to do the construction, such fees are not associated with system development charges and permit fees. Off site improvement fees differ from a general fee in that they are assessed for improvements that are directly related to a development site, rather than to pay for system wide improvements.

Private utilities may also assess additional charges on the development of housing. These charges must be related to the specific impact of the new development. Private utilities include telephone, electric, and gas services.

While off site improvements add to the cost of developing housing, frequently a local jurisdiction has no alternative for funding a needed improvement other than the new development. The key is to ensure that a specific development is only required to provide improvements commensurate with the level of impact imposed by the new development.

The need for off site improvements often is determined by timing – either the first or last developer in to an area is held responsible for improvements that are needed for a larger area. For instance, the first developer in an area may be required to construct a road, along with street improvements, that will serve other developments. The developer may or may not be provided with credit from future developments. For the last developer in, off site improvements that should have been required of previous developments may now be necessary, such as traffic lights.

EXAMPLE OF OFF SITE IMPROVEMENT REQUIREMENTS

City of Gresham

Any development is required to coincide with provision of adequate public facilities and services as stated in the City of Gresham Community Development Code, Section A5.000. Design and construction of any privately funded public improvement shall be performed in accordance with Section A5.000 of the Code, the "City of Gresham Public Works Standards." The developer is required to provide a Guarantee of Completion and Maintenance Guarantee.

The Guarantee of Construction is 110 percent of the estimated construction cost of the public improvement. The Maintenance Guarantee, required prior to the City's acceptance for ownership and operation of the privately financed public improvement, is 10 percent of the construction cost. The Maintenance Guarantee remains in effect from the date of acceptance for ownership and operation for a period of two years. That means that repairs required within the maintenance period shall be guaranteed for two years from the date of completion of such repair.

In the case of a subdivision development, the City may approve issuance of up to 50 percent of the building permits after the public improvements are substantially complete. Substantial completion is defined in the "City of Gresham Public Works Standards."

HOW SHOULD REDUCTIONS IN OFF SITE IMPROVEMENTS BE APPLIED?

Most cities and counties impose requirements for off site improvements on a case – by – case basis under the same general conditioning authority for on site improvements. The requirements may be worded as follows: "The [city/county] may impose conditions of approval to mitigate the impacts of the development on public facilities and infrastructure." For example, if a development is going to generate traffic, a traffic study is typically required. If the study indicates that the traffic increase would warrant a traffic signal at an intersection up the street, the condition to install the signal (or contribute to the cost of installation) is imposed. Very few local governments have express off site improvement requirements because the need varies from development to development, and because *Dolan v. the City of Tigard* basically precludes blanket "one size fits all" exactions.

POTENTIAL STRATEGIES

- Reduction of the Guarantee of Completion could be made available to affordable housing developments in the form of a reduced percentage of the estimated construction cost of the public improvement that the developer is required to secure in bond or letter of credit.
- Reduction of the Maintenance Guarantee in the form of a reduced percentage of the estimated construction cost that the developer is required to pay the jurisdiction before the latter accepts ownership and operation of the privately financed public improvement.
- Target CDBG funds for public infrastructure for affordable housing. Local participating jurisdictions could develop a policy in their capital improvement programs to set aside a certain amount of CBDG funds to offset a reduction in the fees charged developers for public improvements constructed by the developer. Joint development of public infrastructure by a group of affordable housing developers could get reduced fee for public improvements constructed.
- Local governments could add a "Developer Assistance" line item in their Capital Improvement Program to support infrastructure development for affordable housing.
- Use a portion of a regional housing fund as a "bank" to fund off site improvements for an affordable housing development. The fund could be provided at varying low interest rate loans depending on the amount of affordable housing provided at the site.
- Work with utility commissions to educate them on the public benefit of affordable housing, to reduce the impact fees of providing utilities to affordable housing projects.
- If payments (in lieu of actually constructing the improvements) for improvements are made, then the benefit should be seen for that project. Fees should not be collected if the improvement is not on a list or plan to be completed within the next ten years. However, easements or land dedications could be required.
- Infill affordable housing projects should not be required to provide improvements that are significantly higher than existing neighborhood standards (unless redevelopment is expected soon). However, the local jurisdictions could require the dedication of some land for future public improvement purposes.
- Requirements for off site improvements should be directly related to the project design and development impact.

OTHER CONSIDERATIONS

- Local governments need funds to pay for the cost of infrastructure that is a result of growth – funds to pay for off site improvements must come from someplace if requirements are waived or reduced for affordable housing.
- On site stormwater detention can be a very expensive component of developing housing in many situations. The most cost effective method of addressing the need for on site stormwater detention facilities would be to develop a regional drainage system, rather than on a site-by-site basis. However, this would require a huge public investment that may be difficult to pass through the public approval process.

RECOMMENDATION FOR IMPLEMENTATION

A. Regional

1. Consider cost of off-site improvements when amending the UGB

Some of the undeveloped land inside the urban growth boundary tends to be harder and more expensive to develop because of their terrain. The cost impact of developing these types of land could be considered in the expansion of the urban growth boundary.

2. Use a Regional Fund as a "Bank" for Off-site Improvements for Affordable Housing

If a regional funding source is created, use a portion of the fund as a "bank" to fund off site improvements for affordable housing developments. The fund could be provided at varying low interest rate loans depending on the amount of affordable housing provided at the site.

3. Educate Utility Commissions

Work with utility commissions to educate them on the public benefit of affordable housing, to reduce the impact fees of providing utilities to affordable housing projects.

4. Address Stormwater on a Watershed Basis

Stormwater detention/runoff should be addressed on a watershed basis. On site stormwater detention is an important cost component of developing housing, and a water shed wide drainage system would be one of the most cost-effective method of dealing with stormwater runoff.

5. Consider Affordable Housing when Developing Natural Resource Protection Plans

Develop Goal 5 implementation policies that take into consideration the affordable housing needs of this region.

6. Legal Opinion on Implementation

Request legal opinion from the Metro General Counsel on Metro authority on the implementation of Off Site Improvement requirement strategies.

Local

1. Reduce the Guarantee of Completion

Encourage local governments to consider offering a reduction of the Guarantee of Completion to developers of affordable housing in the form of a reduced percentage of the estimated construction cost of the public improvement that the developer is required to secure in bond or letter of credit.

2. Reduce the Maintenance Guarantee

Encourage local governments to consider offering a reduction of the Maintenance Guarantee to developers of affordable housing in the form of a reduced percentage of the estimated construction cost required prior to the jurisdiction accepting ownership and operation of the privately financed public improvement.

3. Target CDBG Funds for Public Infrastructure for Affordable Housing

Encourage local governments to target CDBG funds for public infrastructure for affordable housing. Local participating jurisdictions could develop a policy to set aside a certain amount of CBDG funds to offset a reduction in the fees charged developers for public improvements constructed by the jurisdiction (instead of the developer). Joint development of public infrastructure by a group of developers could get reduced fee charged developers for public improvements constructed by the jurisdiction.

4. Allow Project Phasing

Encourage local jurisdictions to allow the development of projects in different phases, because phasing in of projects could save money for affordable housing developers.

FACTUAL INFORMATION

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Building Codes: Non-Land Use Tool

Including recommendations from the State Building Codes Division: April 20, 2000
Finalized at the Cost Reduction Subcommittee Meeting: April 24, 2000
Approved by H-TAC: May 8, 2000

PURPOSE

To analyze the feasibility of reducing building codes constraints in order to reduce the cost of creating affordable housing. As part of the analysis, program information was collected from jurisdictions implementing similar strategies.

DESCRIPTION

Building codes are a set of regulations that govern the construction of buildings and other structures. States across the country develop building codes based various model building codes. In Oregon, the State Building Codes Division adopts various model codes including the International One and Two Family Dwelling Code printed by the International Code Council (ICC) and the Uniform Building Code written by the International Conference of Building Officials (ICBO). These codes are adopted and implemented statewide by the division and local jurisdictions (ORS 455.030 and 455.040). The state building code includes over a dozen specialty codes dealing with different aspects of a building such as structure, boilers, electrical wiring, elevators, plumbing, mechanical systems, etc. Developers and builders of housing must have building plans reviewed for compliance with applicable codes before a building permit is issued to start construction.

Although the mission of the State Building Codes Division "working with Oregonians to ensure safe building construction while promoting a positive business climate," the codes and the building permit process has been criticized for contributing to higher housing costs and thus a shortage of affordable housing. Strategies for reducing the cost impact of the building permit process have been addressed in another strategy report "*Local Regulatory Constraints – Permit Approval Process & Discrepancies in Planning and Zoning Codes: Cost Reduction Factor for Affordable Housing.*" Building codes have been criticized specifically for:

a) Lack of uniform interpretation, which contributes to difficulty obtaining plan review and permits, expensive contract corrections, and increases construction time;
b) Penalizing owners of older buildings for renovations by requiring expensive upgrades;
c) Lack of a cost/benefit analysis when code changes are adopted and implemented.
d) Difficulty changing specific code standards when new technologies, building techniques and building materials could be used to reduce costs while maintaining safety.

While each individual code change may not have a large impact, the cumulative cost of increased requirements has a large effect on the cost of new construction and renovation of existing buildings.

EXAMPLES OF METHODS TO REDUCE REGULATORY CONSTRAINTS

The subcommittee reviewed national trends to determine potential strategies that could be used in Oregon. The National Home Builders Association has praised recent efforts by two states, Montana and New Jersey, to review and revamp their building codes.

A. Codes for New Construction – State of Montana

In 1997, the Montana Building Industry Association (MBIA) recruited the Montana Board of Housing to conduct a study on potential code amendments that could reduce the cost of housing without affecting life/safety. The Montana Board of Housing provided a $20,000 grant for engineering consulting services to assist in the MBIA study. The study produced 18 separate recommendations on specific technical issues, including a request for universal code interpretation procedure, and was submitted to the Montana Building Codes Division.

In Montana, the state legislature created the Montana Building Codes Advisory Council. This council consists of 11 members that are appointed by the Department of Commerce and represent a cross section of the construction industry. The Montana Building Codes Division and the Montana Building Codes Advisory Council have a solid track record of supporting code reform for housing affordability. In this instance, the state agency addressed the proposed code changes related to universal code interpretation procedure, as well as a number of specific technical issues including: appropriate time to install basement wall insulation below uninsulated floors; diagrams for bracing engineering on narrow panel sections; and stairway lighting requirements. The state agency also developed a checklist for use by contractors who request to be notified within 10 days if their building permit has been approved.

According to the MBIA, these new amendments and interpretations are estimated to reduce the cost of an average home by $5,300. The association also added that if theoretically applied to the state's average annual total housing starts of 3,500 homes, the package would result in potentially $18 million in consumer cost savings annually.

B. Codes for Rehabilitation – State of New Jersey Rehabilitation Code

Apart from general building codes that address all types of construction, separate rehabilitation codes have been developed in some states, including Massachusetts, New York and New Jersey. The New Jersey rehabilitation subcode has been cited as a national model. The U.S Department of Housing and Urban Development adopted a rehabilitation code based on the New Jersey subcode for its properties around the country. Wilmington, Delaware also used the New Jersey model as a basis for developing standards for a rehab code to apply to a central business district.

The old New Jersey code specified how much an old building had to comply with new building standards based on the cost of the renovation project. Builders, planners and building officials often interpreted the codes differently, to the point that rehabilitation projects rarely resulted in the best use of the structure, and also substantially increased cost.

In 1996 the State of New Jersey set out to develop a new rehabilitation subcode of the existing Uniform Construction Code. The new rehabilitation subcode went into effect in 1998. The subcode is one of the strategies adopted by Governor Christine Todd Whitman for the revitalization of cities. A 60 percent increase in rehabilitation of old structures has been attributed to the new rehabilitation subcode. The subcode has reduced rehabilitation cost by as much as 50 percent, with the average around 10 percent, as reported by the state community affairs department.

The new 170-page rehabilitation subcode (organized like a cookbook to be user friendly) standardized and simplified the old rules. The subcode added reliable safety enhancements to rehabilitation jobs and shortened plan review time. Fire officials and inspectors apply consistent safety requirements to older buildings. A preliminary 1998 analysis shows that the new requirements have reduced the cost of rehabilitation dramatically. For example, under the new subcode the renovation of a senior citizen and day care center that has been vacant for eight years in Jersey City saved $391,000. Under the new subcode the rehabilitation cost was $1,145,000 instead of $1,536,000 under the old code.

STATE OF OREGON

In 1999, the Oregon Building Codes Division along with the Oregon Department of Consumer and Business Affairs held a series of Open Forum Stakeholder meeting across the state. The purpose of the forum was to determine what was good about the current regulatory system and what needs to be changed in order to improve the system. According to the administrator of the division, the opinions are summarized as follows:

- Strong consensus on maintaining and strengthening Oregon's building code;

- Need for more and better compliance code at both the state and local levels;
- Violators should be dealt with in an effective fashion;
- Strong desire for consistency in interpretation and administration of the code;
- Need to achieve consistency (and reduce differences) in requirements among jurisdictions;
- Amendments made to Oregon's building codes are excessive;
- Need for effective partnership among the state and local regulators, contractors and various trade organizations involved in housing production and improvements.

The next step is to form a Steering committee to work with the division on identifying the task group topics that will be used by different work groups to develop strategies for addressing each of the above themes. The division intends to finalize its report by mid summer 2000 and forward the report to State Representative Carl Wilson's Interim Committee on General Government.

A. Response from State Building Codes Division

In reviewing H-TAC's recommendations, the State Building Codes Division sent the following clarifications and additions related to building codes in Oregon.

Building Codes in the State of Oregon

Oregon has recently taken steps to address the issues of code uniformity, timeliness of plan review and inspection and other related customer and industry concerns. Two Senate bills (SB 521 and 587) were passed by the 1999 Legislature. These bills are intended to help streamline permit processes and reduce costs for contractors, especially in the Metro area.

SB 521 created a Tri-County State Board for Clackamas, Multnomah, and Washington counties. The board was granted authority and responsibility to standardize forms, including plan requirement checklists, and certain plan review and permit procedures. The bill also created a Building Codes Division Service Center in the Tri-County area to provide specific centralized services including the label program for minor work that provides for a reduced number of inspections. The new rules will allow the labels to be used across county lines thereby reducing costs of minor work for contractors. First phases of this bill go into effect July 1, 2000, with subsequent phases on January 1 and July 1 of 2001. The provisions of the bill will help to standardize plan review and permit requirements in the Tri-County area thereby reducing confusion, time delays and expense to designers, contractors and building owners. There have been suggestions that the procedures developed here be expanded statewide in the future.

SB 587 has several facets applicable statewide that are intended to improve the effectiveness and timeliness of local building code services. First, fees received for plan review and permits must now be dedicated to the building inspection program. Funds can no longer be used for other municipal services, thereby protecting the viability of the inspection program. Fees are limited to those reasonable and necessary to carry out the program. Second, a revised appeal process goes into effect July 1, 2000 allowing an aggrieved party to appeal a code interpretation directly to the state code experts (chiefs) rather than be delayed by the current local and state appeals processes. This is expected to significantly reduce time delays and therefore costs, and provide more consistency in code interpretations statewide. Third, authorization for third party plan review and inspection has been created for use where a local jurisdiction is unable to provide timely service. Timely service for one and two family dwelling plan review is considered to be 10 business days. The program requires the jurisdiction to identify three third party providers acceptable to them that customers may use to perform plan reviews. The bill also creates a state administered licensing and quality control program for the third party providers.

Another activity currently underway by the Department of Consumer and Business Services and Building Codes Division is an interim study of statewide code administration. The goal is to identify an ideal system that can be implemented over time to more effectively meet customer needs and protect public safety.

Oregon Code Adoption Process

Oregon has had advisory boards, similar to that in Montana, comprised of industry representatives, design professionals, affordable housing advocates and building owners serving various code programs since 1974. These boards review and approve adoption of code changes, make code interpretations, impose violation penalties and advise the Building Codes Division on administration of state building codes. During the 1999 Legislative session a proposal to consolidate several of the state's existing boards into one was submitted with the intent of streamlining Oregon's code adoption and interpretation processes. This bill (SB 803) was revised during the session to create a task force with representatives from the plumbing, electrical, boiler and structures board to study the feasibility of this change. The task force is charged with evaluating the advantages and disadvantages of consolidating the Board of Boiler Rules, the Plumbing Board and the Electrical and Elevator Boards and part of the responsibilities of the Building Code Structures Board into a single Electrical and Mechanical Board and report their findings to the 20001 Legislature.

Oregon has very active participation during its code change process from the Oregon Building Industry Association (OBIA) (previously the Oregon Home Builders Association) and other trade organizations. Extensive work was done several years ago to develop cost effective energy conservation standards for residential construction. The division also supported efforts of the OBIA to adopt alternate braced panel design provisions at both the state and national level that eliminate the need for costly engineering for narrow wall panels. The cost impact of each proposed code change is considered by the technical code change committees and the appropriate advisory board prior to adoption.

Oregon Requirements for Existing Buildings

Oregon's codes have provisions that allow exceptions to code requirements for rehabilitation of existing buildings under certain circumstances. For example, when the occupancy of the building is remaining the same, as in the case of dwelling alterations and improvements, only the new work is required to comply with the codes in place at the time of construction. When the occupancy of the building is changing, such as conversion of a warehouse to apartments, then the building is required to be brought up to current code. This ensures the building is safe and compatible to the new occupancy. The building official has authority to accept alternate methods of meeting the code requirements that take into consideration limitations of the existing building construction. Repairs, alterations and additions to historic buildings also may be made without complying with all of the provisions of the state codes.

POTENTIAL STRATEGIES

Notwithstanding the response from the State Building Codes Division, it is still not clear that the prevention of cost increases in housing is part of the building code adoption process. There should be a cost/benefit analysis mechanism that is institutionalized to keep the cost of building housing down while retaining safety.

1. Reevaluate the level of safety attributable to each code and apply a cost/benefit analysis during the exercise, including the use of new technologies and building materials.
2. Uniform code interpretation reduces the difficulty in obtaining approval of plans, reduces the number of expensive contract corrections, and also decreases construction time.
3. Separate the rehabilitation code from the general building code, and standardize and simplify the codes so as to promote reliable yet cost effective safety enhancements when renovating older buildings.

4. The state should strengthen the current educational system for code related matters that provides opportunities for all (many community colleges currently offer related course).
5. Develop a checklist of applicable code requirements for specific categories of work to be used by developers and other contractors. This would help to facilitate the permit and code approval process.
6. Improve partnership among state and local building officials, builders and other trade groups involved in housing production with the goal of improving regulatory activities to enhance affordable housing production and improvements.

RECOMMENDATION FOR IMPLEMENTATION

Building codes are developed at the state level and implemented by local jurisdictions. Metro can only draw attention to the large impact that building code changes have on the cost of producing new housing and renovating older buildings. H-TAC recommends that the state should be encouraged to consider the following recommendations:

1. Analyze current building codes.

A cost/benefit analysis of the existing building codes should be conducted that accounts for the high priority placed on providing affordable housing to residents of the state. Amendments to State and local buildings codes should be based on cost/benefit of implementing additional codes, weighing the safety issues with housing affordability.

2. Evaluate the effectiveness of SB 512 and 587 and implement appropriate standardized plan review and permit processes statewide.

Increase the use of technology and training to effectively implement more consistent code interpretations.

3. Consider developing a separate set of codes for rehabilitation of older buildings.

Compare the current Oregon code requirements for the rehabilitation of existing buildings to models used in New Jersey and elsewhere, and develop appropriate code changes for consideration by the Building Codes Division and appropriate advisory committees and boards. This could include developing a separate set of codes for rehabilitation of older buildings, as was done in New Jersey.

4. Improve coordination and cooperation.

Improve partnership among state and local building officials, builders and other trade groups involved in housing production with the goal of improving regulatory activities to enhance affordable housing production and improvements.

5. Independent Review Panel

Consider setting up an independent review panel to consider the cost impact of new and existing codes.

6. Strengthen the Educational System

The state should strengthen the current educational system for code related matters that provides opportunities for all (many community colleges currently offer related courses).

7. Develop a Checklist

Develop a checklist of applicable code requirements for specific categories of work to be used by developers and other contractors. This would help to facilitate the permit and code approval process.

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Local/State Coordination: Non-Land Use Tool

Finalized at the Cost Reduction Subcommittee Meeting: October 26, 1999
Approved by H-TAC: November 15, 1999

PURPOSE

To identify and analyze the need for better coordination between local governments and the State of Oregon to reduce the costs of providing affordable housing in the Metro region.

DESCRIPTION

Affordable housing funding is provided by many sources, including local, state and federal governments, as well as other private and public sources. Nonprofit and for profit affordable housing developers are faced with a complicated process when applying for the funds to develop housing. The funders have varying:

- application processes,
- funding restrictions, and
- project monitoring requirements.

While all of these restrictions and requirements are important to ensure that funds are spent for the benefit of low-income tenants and that investments are secure, they often complicate the process of providing affordable housing and thereby increase its cost.

The application requirements and timing often vary, and are frequently co-dependent. For instance, applications for state and federal funds for a specific project may require a local match, but the application deadlines may not be consistent, the result often being a delay in months or years of the start of the project.

Additionally, sometimes State policies appear to have contradictory goals that increase difficulties for funding applicants. For instance, the State currently discourages the displacement of tenants in any state-funded project, regardless of the income of the displaced tenant. While this is an important policy, there are times when it contradicts goals of preserving and rehabilitating the existing affordable housing stock. Allocating scarce project funds to relocation assistance for tenants that do not meet applicable income restrictions sometimes has the effect of making a rehabilitation or preservation project financially unfeasible. This is especially an issue in housing markets like those in the Metro region, where tenants tend to relocate voluntarily due to factors other than displacement, such as an increase in income or a change in job location.

The State sets housing policy based on priorities, goals, and criteria it develops and in compliance with Federal restrictions, as understood by the State. The State then presents this housing policy for public comment. This tends to result in conflicts between the affordable housing goals of jurisdictions and the funding policy set by the State. A better system would provide a regular opportunity for regional housing authorities, agencies, and providers to share goals and perspectives with the State. Such a forum would enable those at a regional level to be more aware of the evolving Federal requirements with which the State must comply. This would also provide the State with more detailed knowledge of regional market conditions and community needs to form policy aimed to meet those needs.

POTENTIAL STRATEGIES

- Create an ongoing policy dialogue between local governments and the State. Local jurisdictions should coordinate funding decisions with the Oregon Housing and Community Services Department whenever possible.
- Develop a recommendation for state and federal agencies to consider to reduce the burden on nonprofit and for profit housing developers when using multiple funding sources to produce

affordable housing. Separate project monitoring by a variety of funders places a large burden on providers and tenants of affordable housing.
- Local and State funding agencies should coordinate policies and goals with funding requirements in order to meet the needs of local communities.

OTHER CONSIDERATIONS

- The requirements of many funders are not subject to change, local government requirements may be the simplest to revise to facilitate coordination.
- Application forms are not likely to be revised by various funders, as a consolidated form often may not meet the priorities and needs of different funders. For instance, the State has different priorities than the City of Portland, and thus may fund different types of projects. Coordination should aim to ease the development process, but complete consolidation will probably never be feasible.

RECOMMENDATION FOR IMPLEMENTATION

Regional

A. Ongoing Policy Dialogue

Create a stable platform for an ongoing policy dialogue between local governments and the State to ensure coordination between local policies and goals and State funding decisions.

- *Hold a regional forum.* Encourage a meeting to be held with the following participants: Participating Jurisdictions (jurisdictions that dispense HOME dollars), for-profit and nonprofit housing developers, housing authorities, and redevelopment agencies to discuss current coordination issues with the State and potential solutions.
- *Ongoing policy dialogue.* A regular (perhaps semiannual) policy forum should be instituted among Metro region housing authorities, the State (including the State Housing Council), housing providers, and redevelopment agencies. The forum should encourage open discussion among participants with the goal of developing and refining housing policy on a cooperative basis to meet regional affordable housing needs.

Local

A. Project Monitoring Requirements

H-TAC recommends that local HOME Participating Jurisdictions (jurisdictions that dispense HOME dollars) meet with the State to develop a recommendation for coordinated monitoring of a project, thus reducing the burden on nonprofit and for profit housing developers using multiple funding sources to produce affordable housing. Separate project monitoring by a variety of funders places a high burden on both the housing provider and the tenant.

The funder that is providing the largest amount of dollars could be given jurisdiction to monitor the project after occupancy. For instance, if Low Income Housing Tax Credits are involved, the State is required to monitor the project by the Internal Revenue Service. Hence, to reduce impact on the tenants and the housing provider, other funders could allow the State to be the sole monitor and receive reports from the State.

Regional Housing Resource/Database: Non-Land Use Tool

Finalized at the Land Use and Regulatory Subcommittee Meeting: March 20, 2000
Approved by H-TAC: March 27, 2000

PURPOSE

Provide information that would be used as follows:

- To evaluate implementation of the Regional Affordable Housing Strategy Plan, including assessment of the efforts of local governments, non-profits and for profit developers towards affordable housing production and preservation;
- To develop and implement future local governments' Consolidated Plans;
- To provide resources/data that could be used by housing developers to develop credible funding applications.

DESCRIPTION

H-TAC developed some options of regional and local affordable housing goals (fair share targets) and draft strategies that could be used by Metro, local governments, non-profit and for-profit developers and other entities to achieve the goals. The issues that arise therefore can be framed into the following questions:

- How should we measure our efforts towards the goals?
- What kind of resources do we need to measure our efforts?
- What kind of data currently exists at Metro?
- Where will the information or data come from?
- Do we need to consider some sort of reporting system?

We can answer these questions if we have the resources. As shown in Table 1, the current sources of data include, the U.S. Census, American Housing Survey, County Tax Assessor, the Realtors Multiple Listing Service (RMLS), and private sector property management companies like Marathon Management Inc. and The McGregor Millette company.

OTHER CONSIDERATIONS

- Local governments may be reluctant to take on additional data collection and reporting due to lack of resources. In addition, some of the data are available only at a price in the private market.
- Metro may have to budget for data that must be purchased on the private market.
- Some important sources of data, such as the US Census, are only updated every 10 years. However, the American Community Survey provides a lesser amount of data more frequently.

Table 1. Data Needs, Possible Sources, and Frequency of Updates

Description	Additional Information	Source	Update Frequency
Housing Stock			
Multi-family units	a) By size, location b) Tenure c) Rental amount, sale price or value d) Existing e) Newly produced	a) US Census[1] b) US Census c) US Census d) US Census e) Marathon Management, McGregor Millette, Metro	a) 10 yrs. b) 10 yrs. c) 10 yrs. d) 10 yrs e) ?
Single family units	a) By size, location b) Tenure c) Rental amount , sale price or value d) Existing e) Newly produced	a) US Census b) US Census c) Tax assessor, RMLS, Metro d) US Census e) Building permits	a) 10 yrs. b) 10 yrs. c) Sale price/value – each year d) 10 yrs. e) Each year
Publicly assisted units	a) By size, location, income group b) Number for seniors, people with disabilities, etc. c) Existing d) Newly produced e) Accessibility of newly produced units f) Rehab or new construction g) Cost of production by construction type, size (# of bedrooms) and location	a) local jurisdictions b) local jurisdictions c) local jurisdictions d) local jurisdictions e) local jurisdictions f) local jurisdictions g) local jurisdictions	??
Land Supply			
Buildable land	a) By jurisdiction b) Zoning type c) Ownership (publicly owned vacant land)	a) Metro b) Metro c) Metro	Every year
Demographic Information			
Households	a) Income groups b) Location	a) US Census b) US Census	10 years
Employment	a) Location b) Occupation c) Wage Levels	a) US Census b) US Census c) US Census	10 years
Jobs/Housing Balance	a) Place of residence b) Place of work c) Transportation to work	a) US Census b) US Census c) US Census	10 years

[1]Other information collected by the U.S. Census is included in Attachment A.

RECOMMENDATIONS

Regional

1. Overall Data Analysis

- Metro should utilize US Census data, when available, to analyze housing needs in the region.
- A periodic survey could be used to determine what strategies are working or not working, including why a strategy is working well in one locality and not in another locality.

2. Data Necessary to Track Progress in Meeting Affordable Housing Goals

Efforts could be made to collect at the regional level the following data for measuring the contributions of various entities in the region:

i) Multi-family rental units by size, location and rental amount
- Currently existing
- Newly produced

ii) Single family rental units by size, location and rental amount
- Currently existing
- Newly produced

iii) Publicly assisted rental units by size, location and income group
- Currently existing
- Newly produced
- Number set aside for seniors, people with disabilities, other special demographic groups
- Accessibility of newly produced units

iv) Households by income groups and location

v) Owner occupied units by size, location and value or sale price
- Detached, attached and condos/coops

vi) Buildable land available by jurisdiction and zoning

vii) Employment by location, occupation and wage level

3. Data Necessary to Track the Cost of Producing Publicly Subsidized Housing

i) Cost of production of new multi-family units by construction type, size (# of bedrooms) and location

ii) Cost of production of new single-family units by construction type, size (# of bedrooms) and location

iii) Cost of rehabilitation of units by construction type, size (# of bedrooms) and location

B. Local

Local jurisdictions should cooperate in the data collection process by providing the following pertinent information to Metro for compilation and analysis.

i) Publicly assisted rental units
- By size, location, income group
- Number for seniors, people with disabilities, etc.
- Existing
- Newly produced
- Accessibility of newly produced units
- Rehab or new construction
- Cost of production by construction type, size (# of bedrooms) and location

Final Draft Recommendations

Regional Funding for Affordable Housing

Finalized at the H-TAC Regional Funding Subcommittee Meeting: March 31, 2000
Approved by H-TAC: April 17, 2000

The Regional Funding Subcommittee recommends that H-TAC pursue the following implementation strategies to facilitate the development of affordable housing in order to meet affordable housing goals of the region.

A. Maximize Existing Resources

1. Training Program

Develop a training program for staff from local jurisdictions, nonprofit and for profit housing developers, and lenders to enable them to increase efficiency in producing affordable units. Possible components include:

- *Management of Program.* The program could be run through an existing organization that provides technical assistance for affordable housing development, such as the Neighborhood Partnership Fund.
- *Annual Training Sessions.* Annual 1-2 day training sessions focused on grant writing, resource management, effective tools and providing opportunities for jurisdictional coordination.
- *Internet Resource Site.* Add to the Enterprise Foundation web site, to provide information from annual training sessions as well as resources, best practices, and grant deadlines.
- *E-mail List Serve.* Compile an email list serve of those interested in receiving updates on funding opportunities, and to serve as a forum for issues related to increasing the supply of affordable housing in the region. The Enterprise Foundation website is a good start (*www.enterprisefoundation.org*)
- *Expanded Scope.* Annual training sessions and other resources could be focused specifically on funding opportunities or expanded to provide a forum for dispersing information on best practices for cost reduction and land use strategies.

2. Coordinate and Improve Federal Programs and Resources

A. Consistent Consolidated Plans in the Region

Entitlement jurisdictions currently working to develop consolidated plans (required by HUD) should include a letter or short memo in each Consolidated Plan that describes regional efforts to address housing issues. Efforts should be made to discuss further coordination in the future.

B. Allocation of HOME Funds

Recommended strategies for maximizing the effectiveness of HOME dollars in the Metro region.

- *Coordination.* Possibility of coordinating HOME funds with the cities and counties of the region – regional coordination as exemplified by A Regional Coalition for Housing (ARCH) in east King County, Washington.
- *Prioritize based on highest need.* Use HOME dollars in a way that meets highest priority regional needs.

C. Promote changes with HUD & other Federal Programs

Encourage the Oregon Congressional delegation to support changes with HUD and other Federal programs to encourage the development of affordable housing, especially as referenced below.

- *Change the length of the contract.* Federal budget accounting should be changed to permit longer-term contracts for all HUD rental assistance, even in the absence of an increase in total units, which should also be supported. This would give greater parity to programs that serve very low income tenants (other federally funded programs providing benefits for higher income tenants than rental assistance programs – such as the Low Income Housing Tax Credit program– provide 10-30 years of federal benefits).

- *Allow more discretion to local housing authorities to project base Section 8 vouchers.* Change administrative rules to permit simple project basing of vouchers, subject to 15% cap of total units. HUD estimates this would support $90-120 million one time acquisition/construction of affordable and available units. (Note: HUD estimates that nationally 53% of units with affordable rents are not available because higher income renters occupy them).

Encourage elected leaders in the Metro region to execute an intergovernmental agreement to require that all publicly assisted projects accept voucher tenants using the same screening criteria as other tenants.

3. Enterprise Foundation Regional Acquisition Fund

Encourage all participating jurisdictions to utilize The Enterprise Foundation's $20 million regional acquisition fund. While this is not a permanent funding source, it provides jurisdictions access to capital to acquire quality development sites when they are available. This fund is low cost patient capital that will allow jurisdictions to purchase and hold property for up to five years prior to development. However, the Enterprise Foundation does require a guarantee. The counties should work with Enterprise to develop a consistent mechanism for loaning the money.

B. New Funding Source

1. Employer Sponsored Housing

A. ***Employer Based Programs.*** Local governments, community and business leaders should encourage employers to consider developing homeownership and rental assistance programs for their employees.

2. Real Estate Transfer Tax

The real estate transfer tax provides the best opportunity to raise a relatively large amount of money for housing that could be controlled by the region. The concept generated strong support in a focus group H-TAC held to gather additional input from housing and financial specialists not involved in the H-TAC process. A proposal describing the RETT has been circulated among all the local elected officials in the region. Local elected officials and development industry representatives have expressed support for a RETT, with the Realtors providing the only significant objection. Although implementation of a regional real estate transfer tax does face some major hurdles, H-TAC concluded that the revenue potential and connection to affordable housing provide reason enough to pursue the RETT as a funding source. It is important to note that the implementation of a RETT would raise a substantial amount of revenue to be directed towards meeting affordable housing production goals proposed by H-TAC.

Implementation of a RETT would require several steps prior to funds actually being collected. Most importantly, the Legislature would have to change the law that prohibits local governments from collecting a real estate transfer tax. The Legislature may also choose to implement a statewide or metropolitan area real estate transfer tax dedicated to affordable housing. However, this is currently unlikely. There is general consensus that a coalition of local leaders will go to the Legislature to request a change in the current law that prohibits a RETT or to exempt the Metro region from the prohibition, and to allow a ballot measure to implement the RETT in the Metro region to be taken to the voters.

Funds raised through a real estate transfer tax could be allocated in a variety of ways, but would be focused on achieving the affordable housing production goals set by H-TAC.

3. Use and Administration of a New Regional Housing Fund

A regional housing fund could be allocated in a variety of ways. Key stakeholders should be involved in decisions regarding the use, allocation and administration of a regional housing fund. Strategies identified by other H-TAC subcommittees for the potential use of a regional fund should also be considered. The following general principles are key in developing guidelines for the use and administration of a regional fund.

- ***Flexibility is crucial.*** A regional housing fund should allow for various options in the use of the funds to better meet the regional needs for affordable housing. These needs vary by jurisdiction and also may change over time, thus flexibility in utilizing the dollars is crucial to meeting regional housing needs.
- ***Target regional fund dollars to help meet specific needs.*** Guidelines for the general disbursement of the regional fund dollars should target specific housing needs in the region such as meeting regional fair share goals, aiding first time homebuyers, and helping seniors and people with disabilities find affordable housing.
- ***Final decisions should be delayed until more work has been done.*** Negotiations over how the fund should be allocated and administered should not be conducted until after further work has been done to get a regional fund in place.

Conclusion

If all of the above implementation strategies are carried through, local jurisdictions will be in a much better position to meet the affordable housing needs of residents of all income groups in the region.

FINAL DRAFT

Regional Affordable Housing Funding Report

REVISED FEBRUARY 2000

PREPARED BY THE H-TAC REGIONAL FUNDING SUBCOMMITTEE

PURPOSE

This report is intended to provide a list and brief analysis of possible regional affordable housing funding sources for H-TAC consideration. Federal and State governments have traditionally provided the bulk of funds for affordable housing. Some local governments, especially urban cities and counties, also allocate local funds towards affordable housing production. Using Metro's 20-year planning horizon, H-TAC has estimated the regional housing need by 2017 for new and existing households earning less than fifty percent of regional median household income or less to be 90,479 units. A regional housing fund would help meet this need.

Currently, the average production rate for assisted rental units is approximately 1,146 units annually for households earning 80%MHI and less. However, H-TAC's determined housing need focuses on households earning less than 50%MHI, and producing housing for this income group requires a significantly larger amount of subsidy. At this rate, it would take many years to meet the region's affordable housing need, especially with the level of resources currently available. A regional fund would enable local governments and other entities involved in the production of affordable housing to better meet the housing needs of local residents.

BACKGROUND

The Regional Framework Plan Policy (RFP) 1.3, Housing and Affordable Housing, charged H-TAC with developing fair share affordable housing goals for the region and identifying tools and strategies to implement the fair share goals. One of the strategies identified in the RFP is regional affordable housing funding. Following is the RFP housing policy language that relates to regional funding:

> In developing the Regional Affordable Housing Strategy, the Affordable Housing Technical Advisory Committee shall also address the following:
> "D) a variety of tools to ensure that the affordable housing to be accommodated is actually built, such as: affordable housing funding programs"
> "I) consideration of a real estate transfer tax as a funding source for an affordable housing fund at the state, regional or local level when that option becomes available under state law…"

H-TAC and Metro Policy Advisory Committee members have recommended that the committee not finalize fair share affordable housing targets until funding strategies have been identified. H-TAC created a regional housing funding subcommittee to address this specific tool.

INTRODUCTION

The purchase of a home is generally the largest investment most Americans make in their lifetime, while the total cost of renting a home over a lifetime is monumental. Even affordable housing is a big ticket item. The state of a region's housing stock and the ability of the local citizens to find affordable housing has a very large impact on the overall economic and social health of a metropolitan area.

The cost of providing housing for households that cannot find safe, decent, and affordable housing is high, especially when focusing on those in greatest need. While the Federal government has set as a goal that households should not pay more than 30 percent of household income, many households in the region below the regional median household income pay more than this.

H-TAC's Fair Share Subcommittee developed draft fair share goals for the region that focused on the households in greatest need of housing assistance – those earning less than 50 percent of the regional median household income.[9] This group, while needing the most immediate assistance, is also the most expensive to serve. Most of the housing for this group must be substantially subsidized to make it affordable, especially for households below 30 percent of regional median household income.

There are many resources currently available in the region to assist in the development of housing for low-income households. In working to meet the fair share goals of the region and to help those in greatest need, local jurisdictions would have to utilize all of the existing funding sources in the region effectively. However, even if all of the jurisdictions in the region efficiently used all of the potential State and federal funding sources for affordable housing, there would not be enough money available to meet the fair share goals. Thus, there is a need to identify new sources of funds for affordable housing that is focused on regional goals.

The following sections catalogue existing sources of funding in the region, provide potential strategies to maximize existing and potential funding resources, and identify recommendations for a regional funding strategy.

CURRENT & POTENTIAL FUNDING SOURCES IN THE REGION

Funding for affordable housing has been an issue for many years. Shelter is one of the basic human needs, and since the beginning of cities it has been necessary to focus time and resources on providing affordable housing.

Historically the federal government has taken the lead in providing funds for the provision of affordable housing. However, long term federal commitments from the federal government for lower income housing are declining, and public housing development funding has stopped, introducing uncertainties for tenants, owners, communities and lenders. The yearly possibility of program reductions to many US Department of Housing and Urban Development (HUD) programs introduces uncertainties not found in typical tax measures that are not subject to annual appropriations, and are instead regarded as "permanent." Public housing authorities must use the private market, with support from other federal subsidies, for financing new development.

Consistent, year-to-year subsidies provide certainty. If affordable housing is based on HUD budgets, investors, residents, and communities need certainty in HUD appropriations. The absence of that certainty increases anxiety and costs as participants factor in additional risks to the cost of participation in HUD programs, leading, for example, to the exodus of owners in the Section 8 project based program.

Federal government funding for affordable housing is mostly funneled through states, counties and cities. With the reduction in federal funds for the construction of new public housing units through the public housing authorities, nonprofit community development corporations have stepped in to meet local needs for the provision of lower income housing construction. Nonprofits are generally community based and form to meet the needs of specific groups in a community, such as senior citizens, disabled people, or large families. Funds used to develop housing built by nonprofits are typically competitively allocated by the state or federal government, and may be combined with private dollars as well.

Table 1, below, shows the number of publicly assisted rental housing units produced in the Metro region as of January 1998.

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[9] It should be noted that even if these goals were met, only about 10 percent of the total need for affordable housing would be met in the next five years.

Table 1
Distribution of Publicly Assisted Rental Housing (Jan. 1998)

Jurisdiction	Number of Units
Uninc. Clackamas Co.	542
Uninc. Multnomah Co.	87
Uninc. Washington Co.	1,568
Beaverton	624
Cornelius	35
Durham	210
Fairview	525
Forest Grove	308
Gladstone	11
Gresham	1,194
Happy Valley	0
Hillsboro	598
Johnson City	0
King City	0
Lake Oswego	60
Maywood Park	0
Milwaukie	384
Oregon City	599
Portland	12,951
Rivergrove	0
Sherwood	134
Tigard	873
Troutdale	205
Tualatin	100
West Linn	0
Wilsonville	336
Wood Village	0
Totals	**21,344**

Source: *Work Group on the Inventory of Publicly Assisted Rental Housing*, Metro, March 1998.

H-TAC's Regional Funding Subcommittee identified a need to catalogue existing sources of funding and funding tools currently used in the region. Table 2 below shows the total resources from federal sources that have been allocated to the Metro region for potential use in housing development in 1998.

Table 2
Sampling of Federal Housing Resources for New Development in the Metro Region – 1998

Program	Amount
Multifamily Mortgage Insurance	$45,579,405
Public Housing	$14,187,512
Single Family Mortgage Insurance	$435,497,459
Section 8 (Tenant & Project Based)	$78,870,246
CDBG* ($18,371,000)**†	$3,674,200**
HOME* ($5,786,000)***†	$5,207,400***
HOPWA*†	$803,000
Totals	**$599,094,622**
***Potential resources for housing production**	***$9,684,600**

Source: US Department of Housing and Urban Development, 1999.
*Potential resources that could be used for housing production.
**Varying amounts of the $18,371,000 in CDBG funds allocated to local jurisdictions are targeted towards housing. For the sake of this analysis it is assumed that 20% of total CDBG funds are allocated for housing production (a total of $3,674,200).
***Up to 10% of HOME funds, in this case $578,600, may be used for administrative purposes.
† Administered by local governments.

Some federal resources, such as Community Development Block Grant (CDBG) and HOME dollars are allocated based on a formula to jurisdictions of a certain size. Other funds are allocated competitively to local governments and nonprofit organizations. Some programs require local governments to provide a match to receive some federal funds, and they also may fund programs through local funds. Tenant based support is channeled to low-income households through local housing authorities. On the other hand, State resources are mostly targeted to for-profit and nonprofit housing developers.

Table 3 shows the total State resources for housing allocated to the Metro region.

Table 3
Total Federal and State Resources Administered by the State Available for Housing in the Metro Region - 1998

A		B		C	
Capital Construction Subsidy		**Operating Subsidy –** ***all benefit is passed on to the tenant***		**Tax Exempt Bonds**	
Program	**Value of Subsidy**	**Program**	**Value of Subsidy**	**Program**	**Value of Subsidy**
Housing Trust Fund*†	$746,912	OAHTC[3]	$141,156 *This amount represents an interest reduction that is passed on to tenants annually for 20 years[4].*	Multi-family loans*[5]	$903,423
9% LIHTC[1] Equity*	$12,914,888			Single family loans[6]	$3,491,038
4% LIHTC[2] Equity*	$15,944,288 *($3,188,858)**				
HELP*	$100,000				
Total	**$29,706,088**	**Total**	**$141,156**	**Total**	**$4,394,461**
***Total resources available for housing production $17,854,161.**					

Source: Oregon Housing and Community Services Department, Metro, 1999.
***Items marked with an asterisk are used to calculate total resources available for housing production in the Metro region.**
†These funds are state resources, all others are federal programs administered by the state.

[1]Total amount of 9% tax credits in 1998 was $1,721,985. 9% tax credits are generally used for housing that serves people at 50% MHI and less. Tax credits are allocated for a ten-year period. The amount of equity raised from the tax credits was calculated as follows: total amount of tax credits times 10 times $0.75.
[2]Total amount of 4% tax credits in 1998 was $2,125,905. 4% tax credits are generally used for housing that serves people at 60% MHI; H-TAC determined that a reasonable estimate of the amount that could be used for serving people at 50%MHI and below is 20% of the total, or **$3,188,858**. Tax credits are allocated for a ten-year period. The amount of equity raised from the tax credits was calculated as follows: total amount of tax credits times 10 times $0.75.
[3]The total amount of Oregon Affordable Housing Tax Credits in 1998 was $4,588,998, which is the dollar amount of loans that banks are given tax credits on. To calculate the value of the subsidy, an 8% market rate interest rate was reduced to the 4% interest rate given on loans under the OAHTC.
[4]In 1998 230 units were financed using OAHTC, which amounts to a rent reduction of approximately $51 per month for each tenant.
[5]The value of the subsidized loan is based on the net present value of a reduction in interest on State bond financing of 1% amortized over 30 years. The reduction in bond interest rates is often more than 1% as compared to a private bank's mortgage rate. Assumptions used in calculating the savings are a private bank interest rate of 8%, bond interest rate of 7%, and a 30-year time period. The amount of Multi-family Bond Funds used in the Metro area in 1998 was $9,682,615.
[6]The value of the subsidized loan is based on the net present value of a reduction in interest on State bond financing of 1% amortized over 30 years. The reduction in bond interest rates is often more than 1% as compared to a private bank's mortgage rate. Assumptions used in calculating the savings are a private bank interest rate of 8%, bond interest rate of 7%, and a 30-year time period. The amount of Single Family Bond Funds used in the Metro area in 1998 was $37,416,052.

The funds that are provided by the State are almost entirely federal dollars administered through State agencies, with the exception of the Oregon Housing Trust Fund. Thus, local governments have two basic sources of funding affordable housing: utilizing federal and State dollars administered through a variety of programs; or providing local funds. State funds are allocated on a competitive basis to housing developers throughout Oregon.

As shown in ***Appendix A***, funding programs available in the region are broken down into Federal, State, and local categories. These and other programs have produced the 21,344 assisted housing units shown in Table 1. To successfully implement the fair share goals for the region, it is therefore imperative that local governments consider all of the available federal and State funds.

Total State and federal resources that potentially could be used for housing production in the region were $27,538,761 in 1998.

Utilization of Funding Tools

As can be seen in the above tables outlining existing sources of housing funding in the region, some local governments utilize many funding methods.

Central cities have historically experienced the most demand for affordable housing nationwide – this trend has also proven true in Portland. The city of Portland has placed a high priority on providing affordable housing for local citizens. A combination of many factors including a high demand for affordable units has resulted in a strong program providing resources for affordable housing within the city.

Developing funding programs and using other tools to encourage the development of affordable housing effectively requires an understanding of funding resources available to local governments and of tools which can facilitate the development of affordable units. A local government often must reach a "critical mass" in terms of organizational size before having the staff resources to dedicate hours towards affordable housing. Only a few of the larger jurisdictions in the Metro region are able to dedicate a staff person to work on housing issues. Other local governments must take away staff time dedicated to other needs to focus on an issue that requires much understanding to develop an effective program or approach.

Existing funding resources in the region are currently not being utilized by all local governments. Most of the funds are used for developing affordable housing in only a few jurisdictions. If the region is to work toward fair share goals all local governments must be enabled to utilize the existing available affordable housing funds.

POTENTIAL STRATEGIES

To enable local governments to work toward fair share goals, methods for maximizing use of existing funding sources and the development of new funding sources are proposed as shown below.

A. Maximize Existing Funding Sources

H-TAC's Regional Funding Subcommittee identified three main areas that could help jurisdictions in the region maximize use of existing funding sources.

1. Training Program

It takes a lot of time to learn about the various programs for affordable housing funding and to understand the application procedures. Many smaller jurisdictions do not have the resources to devote to searching for money for housing or to develop local funding programs or tools. Much of the knowledge and expertise needed to successfully apply for and manage funding resources is typically gained over a period of years, while the need for affordable housing in many communities has skyrocketed within the last decade.

Implementation Strategy

H-TAC's Regional Funding Subcommittee recommends the development of a training program for staff, especially for smaller jurisdictions, to enable them to apply for affordable housing money that is currently available. The training program would be most effective if it was funded so that local jurisdictions would not have to choose between completing pressing local planning needs and learning about how to apply for housing grants. Following are possible components of a training program for affordable housing:

- *Management of Program.* The program could be run through an existing organization that provides technical assistance for affordable housing development, such as the Housing Development Center or the Enterprise Foundation.

- *Annual Training Sessions.* Annual 1-2 day training sessions focused on grant writing, resource management, effective tools used in the region and elsewhere, and providing the opportunity for coordination among jurisdictions.
- *Internet Resource Site.* Develop an internet web site that contains information provided at the annual training sessions as well as other pertinent information on resources, best practices, and grant deadlines.
- *E-mail List Serve.* Compile an email list serve of those interested in receiving updates on funding opportunities, and to serve as a forum for discussing issues related to increasing the supply of affordable housing in the region.
- *Expanded Scope.* The annual training sessions and other resources could be focused specifically on funding opportunities or expanded to also provide a forum for dispersing information on best practices in terms of cost reduction and land use regulatory strategies.

A training program that included the components outlined above would substantially maximize the use of existing resources available in the region, as well as allow all jurisdictions to participate in providing more opportunities to develop affordable housing. While the number of additional housing units that may be produced is not currently known, the additional effort should result in some increase and also may increase political will and awareness of housing issues across the region.

2. Consistent Consolidated Plan

Although housing is a regional issue, it is not addressed consistently throughout the region. Each entitlement community is required to produce a Consolidated Plan every five years in order to receive funds from HUD. The Consolidated Plan outlines the housing needs and priorities of the entitlement community and identifies areas most in need of funding for the five-year cycle. Jurisdictions within a county can cooperate to complete one Consolidated Plan, and dollars for communities with a population less than 50,000 are channeled through the county. The following entitlement jurisdictions complete a Consolidated Plan, which combined covers the Metro region: Portland, Multnomah County and Gresham (together); Beaverton and Washington County (together); and Clackamas County.

H-TAC's Regional Funding Subcommittee discussed the potential of completing each Consolidated Plan consistently so that the numbers and issues are comparable regionwide and a regional picture can be estimated from the combined totals from the local Consolidated Plan. Some of the benefits of coordinating are:

- *Innovative.* It would be innovative – it has not been done anywhere else in the nation. Such an effort might give the entitlement communities in the Metro region a competitive edge in applying for housing dollars.
- *Maximize efficiency.* It would reduce duplicate efforts – the regional picture could be easily derived.
- *Consistent format.* Currently, each jurisdiction (or coalition of jurisdictions) develops their Consolidated Plan in a unique fashion, using different data sources and different formats. This makes it difficult to use the Consolidated Plan to get a picture of what is happening on a regional level. It would be useful if all of the Consolidated Plans that are developed in the region use consistent data and a consistent format.
- *Coordination.* Housing programs and priorities could be consistent throughout the region, taking into consideration fair share goals and other regional issues such as jobs-housing balance and transportation.

Implementation Strategy

A first step toward coordinating the Consolidated Plan could be including a letter or short memo in each Consolidated Plan that describes regional efforts to address housing issues. Efforts should be made to discuss further coordination in the future.

3. Recommend use of HOME dollars for highest need housing (fair share targets)

HOME dollars are awarded by HUD through a formula to participating jurisdictions – each dollar of grant funds must be matched with 25 cents of local money. These funds are targeted for developing housing for households with incomes less than the regional median income. This is one of the only sources of money that is still available from the federal government to develop or retain housing.

Implementation Strategy

H-TAC's Regional Funding Subcommittee discussed the possibility of maximizing the effectiveness of locally available HOME dollars through the training program outlined above and through additional coordination. Following are recommended strategies for maximizing the effectiveness of HOME dollars in the Metro region.

- *Coordination.* Possibility of coordinating HOME funds with the cities and counties of the region – similar to a regional coordination as exemplified by a Regional Coalition for Housing (ARCH) in east King County, Washington.[10]
- *Prioritize based on highest need.* Use HOME dollars in a way that meets the highest priority regional needs (i.e., fair share targets).

4. Promote changes with HUD and other Federal Programs

Encourage the Oregon Congressional delegation to support changes with HUD and other Federal programs to encourage the development of affordable housing.

Implementation Strategy

- *Change the length of the contract.* Federal budget accounting should be changed to permit longer-term contracts for all HUD rental assistance, even in the absence of an increase in the total units, which should also be supported. This would give greater parity to programs that serve the very lowest income tenants (other federally funded programs providing benefits for higher income tenants than rental assistance programs – such as the Low Income Housing Tax Credit program– provide 10-30 years of federal benefits).
- *Allow more discretion to local housing authorities to project based Section 8 vouchers.* Administrative rules should be changed to permit simple project basing of vouchers, subject to a 15% cap of the total units. HUD estimates that this would support an estimated $90-120 million one time acquisition or construction of affordable and available units. (Note: HUD estimates that nationally 53 percent of the units with affordable rents for low-income renters are not available because higher income renters occupy them).
- *All publicly assisted projects should accept vouchers.* Encourage elected leaders in the Metro region to execute an intergovernmental agreement to require that all publicly assisted projects accept voucher tenants using the same screening criteria as other tenants.

5. Enterprise Foundation Regional Acquisition Fund

The Portland Regional Land Banking Program is a partnership between The Enterprise Foundation and the Housing Development Center, with support and coordination provided by the City of Portland and other local jurisdictions. The purpose of the fund is to acquire and hold development sites throughout the region, preserving the opportunity for the creation of community-based developments. The fund may also provide an opportunity to the public sector to leverage private sector resources.

[10] ARCH was established in 1992 through an inter-local agreement to serve east King County. ARCH has used a variety of devices to increase the affordable housing stock. The devices include use of ARCH Trust Find to coordinate the allocation of community development block grants and local resources made available by member cities; helping member jurisdictions develop surplus public land, and implement land use incentives such as density bonuses and accessory dwellings; and contacting Section 8 providers so as to identify projects that community development corporations could buy and preserve as affordable housing in the member jurisdictions.

The Enterprise Foundation and the Housing Development Center will be the managers of the fund. Enterprise will provide general management and develop policies and procedures, while the Housing Development Center will be responsible for site identification and due diligence. The fund will function as a revolving account, capitalized with $20 million from The Enterprise Foundation, providing local jurisdictions the opportunity to access the fund by providing loan guarantees to purchase property.

B. New Affordable Housing Fund

Need for a New Source of Funding

There is an overwhelming need for a new affordable housing fund in the Metro region. According to a National Home Builders study, the Portland metro area was the eighth least affordable housing market in the nation as of the first quarter of 1999. The median household income for a four-person household in the region has increased by 41 percent in the last 10 years. However, during the same period, the median sale price of homes increased by approximately 100 percent, while the average rent has increased by over 34 percent. According to the 1995 American Housing Survey, approximately 30 percent of residents in the region are paying over 30 percent of their incomes on housing (30 percent is the national standard for housing affordability). About 82 percent of households earning less than 30 percent of MHI and 65 percent of households earning 30-50 percent MHI are paying more than 30 percent of their income on housing. This data indicates that households with the highest need for affordable housing are not able to locate decent, affordable housing and thus pay much more than they can afford.

The housing situation in the region leads to other problems. Workers often have to commute long distances to work in areas where they cannot afford to live. Many low-income residents must forego other basic needs like health care and childcare due to the very large percentage of their income that must be devoted to rent. The lack of affordable housing is also a cause of homelessness. When housing costs continually outpace incomes, people will have to work harder just to make sure they do not lose ground – a situation that can make it difficult to realize dreams like a college education for a child, or homeownership.

Even if all of the jurisdictions in the region utilize all of the possible federal and State funds available, there will not be enough money to meet the affordable housing needs of the region. In the development of fair share goals, H-TAC determined a need for about 90,000 additional affordable units for households earning less than 50 percent MHI in the region over the next 20 years. In an effort to develop a reasonable but ambitious goal for housing production in the region, H-TAC looked at the past production of assisted housing in the region. As a more realistic target, H-TAC recommended a five year regional goal that doubles current rates of affordable housing production, which would translate to 7,500 – 10,000 units over the next five years. Without additional resources, the removal of barriers to affordable housing construction, or potential regulations, H-TAC determined that even the more realistic fair share goal is not feasible.

Funding Sources Considered

The Regional Funding Subcommittee discussed several potential sources for a regional fund devoted to affordable housing and helping to meet the fair share goals set by H-TAC. Many studies have been done both locally, statewide, and throughout the nation on methods of funding affordable housing. Some of the methods of funding affordable housing considered by the subcommittee are described below.

1. REGIONWIDE BOND MEASURE FOR HOUSING

The subcommittee considered a regionwide bond measure to raise money for affordable housing. The funds raised through the bonds could be deposited into a Regional Housing Trust Fund, which could be managed in a variety of ways. A bond measure would be taken to the voters, and if it passed the funds could be administered by a regional body. Funds could be allocated on a competitive basis (like the State Housing Trust Fund) or allocated based on a jurisdiction's fair share goals.

Limitations

The subcommittee identified some limitations for the implementation of a regionwide bond measure for affordable housing. First, the amount of money that could be raised through this method is not as high as other methods, unless a particularly large bond measure is passed. Second, there is a connection or nexus between property taxes on all property in the region and affordable housing, but it is not as strong as other types of funding. Lastly, voter approval of additional property taxes is unlikely in a region that already has a high taxation level, even for a cause such as affordable housing.

2. EMPLOYER-SPONSORED HOUSING PROGRAMS

Housing is a pivotal issue for employees. The availability of convenient, affordable housing enhances a company's ability to attract, retain, and reward its workforce. In a National Survey by the Work/Life Institute[11], companies offering housing assistance reported an improved company image, higher employee morale and better employee retention. Employers are also able to use housing assistance as a recruiting tool for new employees, and generally the benefits of providing housing assistance outweigh the costs or are cost neutral. Employers can develop custom programs to enable employees to purchase homes and provide rental assistance near the workplace. The cost to the employer varies with the program design. Options for employers include grants, direct and fully repayable loans, forgivable loans, deferred payment loans, monthly payment assistance and guarantees, lender-financed loans and providing a site for homebuyer education classes. The employer can define the geographic boundary of the program area as well as determine the income levels of the participant employees.

Employer sponsored programs could be developed in a number of ways, ranging from programs offered through a single company to a regional trust fund established by large employers in partnership with local governments. The money raised from a regional fund could be used to provide: a) assistance to first-time homebuyers; and b) incentives to develop affordable multi-family units in various parts of the region. Following are some examples of employer-sponsored housing programs.

[11] Work/Life Institute Survey, November 1998 (preliminary results)

Examples of Employee Assisted Home Ownership

A. Wacker Siltronic Home Ownership Program (SHOP)

In 1996, Wacker Siltronic, one of Portland's largest manufacturers, developed the Siltronic Home Ownership Program (SHOP) in partnership with two non-profit housing developers, Home Ownership One Street at a Time (HOST) and North East Community Development Corporation (NECDC) and Fannie Mae. Under the SHOP program, eligible employees receive a loan of up to $5,000 to be used toward the down payment or closing costs for their first home. In conjunction with the SHOP program, Fannie Mae will purchase loans made by local lenders. The loan is fully forgiven if the borrower remains employed at Wacker Siltronic for five years.

Homes for the SHOP program are located in North and Northeast residential neighborhoods and must be purchased through HOST or NECDC. To be eligible, the employee must have been employed by Wacker Siltronic for two years, have a good working record, qualify for a mortgage and complete a home buyer education course through the Portland Housing Center. If the home is sold within the first five years of ownership, or employment with Wacker Siltronic ends before the loan is paid in full, the remaining portion of the loan must be paid back in accordance with the loan agreement.

B. Legacy Emanuel Neighborhood Home Ownership Program (ENHOP)

In 1992, Legacy Emanuel Hospital created a program to assist employees in purchasing a primary residence within targeted North/Northeast Portland neighborhoods. The Emanuel Neighborhood Home Ownership Program (EHNOP) provides loans to qualified employees within identified geographic boundaries. Loans cannot exceed $5,000 and can be used for down payment, pre-paid reserves, and closing expenses. The loan is forgiven based on 20 percent per year, and interest payments of 8.5 percent are deducted from the employee's paycheck.

The objectives of the ENHOP program, considered a model, pioneering program in the country, were identified as follows:

- To stimulate economic growth and stability within the inner North/Northeast Portland community surrounding the hospital.
- To improve the hospital's relationship with its immediate community, particularly regarding housing issues.
- To improve the hospital's relationship with its employees, employee retention, and employee stability.
- To provide an economic development/employee assistance program model for emulation by other employers, especially those in the North/Northeast Portland community.

To qualify for the ENHOP loans, an employee must be employed by Legacy for one year and must be in good standing. The maximum purchase price of a home under this program is $130,000.

C. Santa Clara Countywide Housing Trust Fund

A few years ago, the City of San Jose and Santa Clara County, California hired a consultant to research and recommend options for funding affordable housing production in the Silicon Valley area. One of the recommended tools was a housing trust fund established in partnership with the private sector. The report recommendations were shared with the private sector. A meeting between the local governments and the private sector representatives including representatives of nonprofit foundations led to the creation of the "County-wide Housing Trust Fund."

The goal of the Santa Clara Countywide Housing Trust Fund is to raise $20 million in two years. Those funds will be leveraged to bring in another $80 million in government grants and loans. The funds will benefit: a) rental housing production for very low income households at 30% of the area's median household income; b) single family housing production for first time homebuyers; and c) shelter production. So far, the Santa Clara County has contributed $2 million, and major employers and foundations such as Packard Foundation and James L. Knight have contributed money.

The Silicon Valley Manufacturing Group (representing employers of about 250,000 high-tech workers) now manages the Santa Clara Countywide Housing Trust Fund. According to the group, an Executive Director will be hired soon to start implementation of the trust fund.

Potential Limitations

- Identifying key employers' groups in the region to participate in discussions to determine the possibility of setting up a housing trust fund.
- Some attempts have been made to get businesses involved in parts of the Metro region, but these efforts have not yet been successful. Many business leaders have not yet identified affordable housing as a key priority or as a factor that has an impact on their business activities.

Implementation Strategies

- Business and community leaders, in coordination with local governments and Metro, initiate discussion with large employers in the region, providing information that quantifies why the concept of such a housing trust fund would be beneficial for business.
- Focus on the need to balance jobs and housing that is affordable for all levels of employment.

D. Portland School District "Homeroom" Program

In 1999, the Portland School District and the Portland Teachers Credit Union created the Homeroom Program to recruit potential teachers to Portland and to keep them working in the city's schools. Under the program, full-time teachers and administrators in their first five years working in the Portland Public Schools are eligible for mortgages that will allow them to buy a house or condominium with no down payment.

The credit union provides an interest-free loan on top of the mortgage to cover closing costs, and also allows the homebuyer to forgo mortgage insurance. The mortgages will be serviced directly by the credit union, and will go as high as $200,000. If an employee leaves Portland Public Schools, the loan will revert to regular rates and the interest-free portion of the loan will no longer be interest free.

This program provides Portland Public Schools with a useful incentive to attract and retain teachers, and also provides the Portland Teachers Credit Union with additional clients.

Example of Employer Assisted Rental Program

A. The Summit at Government Camp Housing Project

The Summit apartment complex in Government Camp consists of 48 units designed to serve single working people earning less than 50% of Clackamas County's median household income. Sponsored by Government Camp Recreational Association, Inc., a non-profit organization, the complex is intended to meet the housing needs of workers from the three nearby ski resorts, Timberline, Mt. Hood Meadows and Ski Bowl.

The landowner, who operates the Timberline Ski Area, contributed the land on a 30 year land lease for $400 a month (the amount of property taxes only) to keep capital costs down and rents affordable. The landowner also acts as the property manager.

3. REGIONWIDE REAL ESTATE TRANSFER TAX

One commonly mentioned source of revenue for a new affordable housing fund is the Real Estate Transfer Tax (RETT). A RETT is paid by the seller of a residential, industrial, or commercial property. The only time the tax is paid is when the property is sold. The tax is calculated as a percentage of the purchase price of the property.

The subcommittee discussed the possibility of implementing a regionwide RETT. Subcommittee members agreed that this funding method showed the most potential for raising a large amount of money for housing. There is a strong nexus between taxing the transfer of property and providing affordable housing for those residents in the region in need of assistance. A real estate transfer tax is not a regressive tax; meaning that the tax is not the same for a less expensive property sale as it is for a very expensive property sale. Thus, those more able to afford to help provide the most assistance for those in need. The real estate transfer tax is also cyclical – when the economy is strong and property sales are up, the amount of tax collected will be higher than when the economy is in a downturn. This means that funds raised by the tax will be higher when housing affordability is more of a problem, and lower when overall housing prices are lower.

The Regional Funding Subcommittee concluded that a RETT shows the most promise of providing needed funds for affordable housing development in the Metro region.

Examples of RETT Programs
Washington County has levied a Real Estate Transfer Tax since 1977. Authority to continue collecting a real estate transfer tax was grandfathered in to the 1999 Oregon State Legislative Bill that prohibits local jurisdictions from collecting such a tax. Funds raised through the tax are deposited in the county's general fund. The tax rate is 0.1% ($1.00 per $1,000) of the property's selling price. The county's real estate transfer tax program is described in Washington County Code, Chapter 3.04 "Real Property Transfer Tax," which was last updated in 1997. The tax is collected upon the transfer of a deed, with certain exemptions. For instance, all transactions of $13,999 or less are exempt from the tax. Other examples of exemptions include all transactions effected by condemnation procedures by any government, transfers of property through inheritance, or transfers between spouses due to marriage dissolution or separation proceeding.

The Washington County Tax Assessor's Office provides an informational packet explaining the tax, along with applications for exemption. Failure to either pay the tax or file for an exemption within 15 days of recording a transfer results in an automatic penalty equal to the amount of tax owed or $50, whichever is greater, and interest accrues on delinquent accounts at a rate of 1_ percent per month until paid.

The following states have RETTs, or similar fees, that are committed to their state housing trust funds: Florida, Hawaii, Illinois, Iowa, Maine, Nebraska, Nevada, New Jersey, South Carolina, and Vermont.

Connection to Housing
The connection of a real estate transfer tax to affordable housing is clear: over the past 10 years, the total market value of real estate in the Metro region has increased from $36.81 billion (1988) to $105.60 billion (1998), an increase of 186.9%. While this has been good for both investors and people who have worked hard to own a home and pay off their mortgages, there is another side to the coin. As more and more people move to the region, driving up demand for housing and land, rents and home prices have surged out of the reach of many working people. The theory behind a RETT is that a very small percentage of the benefit of increased land and housing values is dedicated to affordable housing, to ensure that rising rents and housing prices do not leave some people unable to afford a home.

As shown in Table 4 below, the amount of revenue that could be raised by a real estate transfer tax could be substantial. Two options for implementing a RETT are shown: 1) excluding the first $120,000 of the listed sales price of a house, and 2) exempting the tax on all homes sold for less than $120,000. Two potential taxation rates are shown 0.50% and 0.75%, as well as potential revenues in both a strong and weak economy. As can be seen in the table, potential revenues range from $4.8 to $40.6 million.

Table 4
1998 Real Estate Sales Volume by County and Expected RETT Revenue at High and Low Sales Volume @ .50% and .75% Rates*

Land Use Class	County	Parcels Sold	Listed Sales Price	*Option 1:* Excluding First $120,000 of Listed Sales Price	*Option 2:* Exempting Sales of Less than $120,000
Commercial	Clackamas	346	$82,221,000	NA	NA
	Multnomah	610	$331,069,000	NA	NA
	Washington	380	$174,653,000	NA	NA
Subtotals		1,336	$587,943,000	NA	NA
Industrial	Clackamas	141	$75,626,000	NA	NA
	Multnomah	192	$89,061,000	NA	NA
	Washington	28	$14,560,000	NA	NA
Subtotals		361	$179,247,000	NA	NA
Multi-Family	Clackamas	488	$73,760,000	NA	NA
	Multnomah	1,766	$208,295,000	NA	NA
	Washington	125	$108,439,000	NA	NA
Subtotals		2,379	$390,494,000	NA	NA
Single-Family	Clackamas	9,091	$1,196,902,000	$523,022,000	$1,103,697,000
	Multnomah	14,032	$1,992,388,000	$585,865,000	$1,510,457,000
	Washington	13,755	$1,721,697,000	$662,082,000	$1,648,353,000
Subtotals		36,878	$4,910,987,000	$1,770,969,000	$4,262,507,000
Totals		40,954	$6,068,671,000	$2,928,653,000	$5,420,191,000
Low Volume - Weak Economy:					
RETT Revenue Generated @ .0050			$10,013,307	$4,832,277	$8,943,315
RETT Revenue Generated @ .0075			$15,019,961	$7,248,416	$13,414,973
High Volume - Strong Economy:					
RETT Revenue Generated @ .0050			$30,343,355	$14,643,265	$27,100,955
RETT Revenue Generated @ .0075			$45,515,033	$21,964,898	$40,651,433

Source: Metro RLIS 1999, County Tax Assessor's Data Files, 8/99.
*Includes two options: 1) Exclusion of first $120,000 for single-family sales and 2) Exemption of all sales single-family sales under $120,000.

Assuming that a real estate transfer tax was instituted in this region, how much would it help in meeting the fair share goals? Table 5 looks at the progress that could be made in meeting fair share goals if both existing resources (assuming constant funding) and revenues from a real estate transfer tax were used for that purpose.

Table 5
Number of Units that could be built[1] with Existing Funding Resources[2] & Potential RETT Revenue[3]

Existing Resources (1998) *(from Tables 2 &3)*		**Number of Units that Could be Built**	
		<30%	*31-50%*
Federal *(total)*[4]	$9,684,600	87	82
State *(total)*[5]	$17,854,161	161	151
Totals	$27,538,761	248	234

RETT Taxation Rate	**Revenue Potential** *(Option 2 – excluding sales <$120,000)*	**Number of Units that Could be Built**	
Low Volume – Weak Economy		*<30%*	*31-50%*
.50%	$8,943,315	80	76
.75%	$13,414,973	121	114
High Volume – Strong Economy			
.50%	$27,100,955	244	230
.75%	$40,651,433	366	345

Source: Metro, 1999.
[1]**New construction.** Based on cost estimates prepared for H-TAC Fair Share Subcommittee (*April 7, 1999 Memo from Metro Staff: Cost of Developing Housing, including Needed Subsidies).* The amount of subsidy needed for a multi-family rental unit <30% MHI = $80,000. The amount of subsidy needed at 50% MHI = $33,000. **Income groups.** The percentage of units allocated to <30% MHI and to 31-50% MHI is based on the fair share formula: <30%MHI = 72% and 31-50%MHI = 28%.
[2]Assuming all available resources from State and Federal governments that could be dedicated to housing are used for that purpose, and that resource funding levels remain constant.
[3]*Assuming that all of the revenues from a RETT are dedicated to affordable housing.* Previous versions of RETT proposals have included funding for public infrastructure. The Regional Funding Subcommittee has determined that infrastructure connected to housing might appropriately be funded by a RETT proposal, but calculations are not included here.
[4]Includes CDBG, HOME, and HOPWA. Assumes that 20% of CDBG resources are used for housing production.
[5]Includes Housing Trust Fund, LIHTC, HELP and Multifamily Loans.

Table 6 below shows progress that could be made in meeting the regional affordable housing production goals with both existing resources and the previously described RETT scenarios.

Table 6
Progress that could be made in reaching Affordable Housing Production Goals with Existing Resources and RETT Revenue**
Five-Year Affordable Housing Production Goal = 9,048 units
Annual Affordable Housing Production Goal = 1,810 units

Low Volume Sales – Weak Economy

Income Group	Annual Affordable Housing Production Goal (IN UNITS)	Existing Resources *(State & Federal)*	RETT Revenues		Balance of unmet affordable housing production goal *(annual production goal –units built with existing resources – units built with RETT revenues at each tax rate)*	
			.50% tax rate	.75% tax rate	.50% tax rate	.75% tax rate
<30%	1,303	248	80	121	975 (75%)	934 (72%)
31-50%	507	234	76	114	197 (39%)	159 (31%)

High Volume Sales – Strong Economy

Income Group	Annual Affordable Housing Production Goal (IN UNITS)	Existing Resources *(State & Federal)*	RETT Revenues		Balance of unmet affordable housing production goal *(annual production goal –units built with existing resources – units built with RETT revenues at each tax rate)*	
			.50% tax rate	.75% tax rate	.50% tax rate	.75% tax rate
<30%	1,303	248	244	366	811 (62%)	689 (53%)
31-50%	507	234	230	345	43 (8%)	-72 (0%)

Source: Metro, 1999.
**Using the same assumptions outlined in Table 6.

There is a high leveraging ratio in housing development, with private investment adding substantially more than double every public dollar spent. This means that funds raised through a RETT could produce more units than shown in the above table with the inclusion of private investment.

Affordable housing development has an overall positive impact on the regional economy. According to the National Association of Home Builders, residential construction stimulates the economy directly by generating jobs, wages and tax revenues and indirectly as the demand for goods and services created by the construction of new homes “ripples” through the economy. Housing development produces construction jobs; requires the purchase of building materials from local merchants; leverages private financing and creates jobs for architects, Realtors, engineers, landscapers, and others.

Potential Limitations

As stated in the RFP, H-TAC is expected to consider a real estate transfer tax as a funding source for an affordable housing fund at the State, regional or local level when that option becomes available under State law. The “sunset” provision currently in ORS 306.815 has been eliminated by the adoption of HB 2139, which was signed by the Governor on July 14, 1999. ORS 306.815 prohibits the adoption by any local government of any real estate transfer tax. Prior to this legislative session, this prohibition did not apply to the adoption of a real estate transfer tax that would go into effect after July 1, 2000. Thus, current State law prohibits the implementation of a regionwide RETT, although it is authorized and utilized by Washington County.

Metro's charter also imposes limitations on spending for non-voter approved taxes. This spending limitation during FY 1999-00 will be just over $15 million, with the current Metro annual budget authorizing expenditures of over $8.0 million from these sources. In order for Metro to impose and collect taxes beyond $7 million a year, approval would need to be received from the region's voters.

A RETT can be tailored to ensure that the costs do not fall on moderate-income people. Exemptions can be built into the RETT so that the average home pays little or no tax, addressing concerns that middle class people would be overly taxed to help those in poverty. For example, all residential property sales of homes affordable to a household earning the median regional household income or less could be exempted from the tax.

Implementation Strategies

Although implementation of a regional real estate transfer tax does face some major hurdles, the Regional Funding Subcommittee concluded that the revenue potential and connection to affordable housing provide reason enough to further pursue the RETT as a funding source. The implementation of a RETT would raise a substantial amount of revenue to be directed towards meeting the fair share affordable housing goals that have been identified by H-TAC.

Implementation of a RETT would require several steps prior to funds actually being collected. Most importantly, the Legislature would have to change the law that prohibits local governments from collecting a real estate transfer tax. The Legislature may also choose to implement a statewide real estate transfer tax dedicated to affordable housing. However, as this is currently unlikely, the Regional Funding Subcommittee identified two possible options for implementing a regionwide real estate transfer tax, as outlined below.

1. Work with the three counties in the region to develop an intergovernmental agreement on a plan to implement a regionwide real estate transfer tax. Representatives from the counties and H-TAC would work with the Legislature to have the prohibition removed, at least for the Metro area.
2. H-TAC, with agreement from the three counties, could recommend that Metro implement a regionwide real estate transfer tax. This option would first require a ballot measure to meet Metro's charter requirements on spending limits. If the region's voters approved the ballot measure, then the Legislature would be approached about removing the prohibition.

Implementation of a RETT should not increase the costs of providing affordable housing. Thus, the Regional Funding Subcommittee recommends that implementation plans include a policy that exempts affordable multi-family dwelling units that are sold from the RETT, similar to the proposed exemption of all single family sales of less than $120,000.

4. HOUSING LINKAGE FEE

The attraction of employees to an area by new industrial and commercial developments creates a need for housing. The demand for affordable housing is increased by those businesses at the new developments that attract low-wage jobs, including non-living wage jobs (less than $10-$16 per hour, depending on family size in the Portland area). Businesses benefit from the availability of a well-housed and accessible labor force. A linkage policy requires that new (or sometimes existing but expanding) commercial or industrial development not shift the entire burden of addressing the affordable housing need it helps to create onto the public sector (and low-income people themselves).

A housing linkage fee program could be implemented through an overlay zone, targeted to specific areas such as regional centers identified on the 2040 Growth Concept Map.

Options for addressing the new affordable housing need include adding affordable units to a mixed use development, building new units, paying a fee in lieu of construction, or making equity contributions (such as land) to a low income housing project. This requirement is a condition of obtaining development permits and rezoning. Linkage fees have been applied to both limited downtown areas and more broadly in high job-growth areas. This tool may be particularly important in parts of the region that are job rich and affordable housing poor.

Examples of Linkage Fee Policies:

San Francisco

San Francisco was the first city to adopt linkage policies in 1981. Their original policy required all developers of commercial buildings over 50,000 square feet in the Central Business District to either provide new or rehabilitated housing or pay an "in lieu" fee of $5 per square foot to the city for housing. Between 1981 and February 1985, office developers agreed to subsidize 3,793 residential units, 71 percent of which would be designated for low and moderate-income people. The policies were revised in 1985, tightening up the affordability requirements, eliminating a controversial system for giving commercial developers credits for units they had not helped to create, and raising the "in lieu" fee to $5.34/sq. foot.

In 1996, Section 313 of the San Francisco City Code was update, setting forth the requirements and procedures for the "Office Affordable Housing Production Program." A study conducted in 1994 by the San Francisco Department of City Planning[12] demonstrated that construction of new housing units in the city had decreased to a low of 500 units in 1993 compared to an average annual production of 1,600 units over the previous ten years. This study and a previous nexus study conducted in 1984 showed the validity of: 1) the nexus between new office development and the increased demand for housing in the city, and 2) the numerical relationship between new office development and the formulas for provision of housing set forth in city code. The city also enforces affordability requirements on housing developed through the OAHPP through mechanisms such as shared appreciation mortgages, deed restrictions, enforcement instruments, and rights of first refusal exercisable by the city.

The current ordinance applies to office development projects proposing the net addition of 25,000 or more gross square feet of office space. The developer must construct housing or pay an in-lieu fee to be used for the development of low cost housing. The formula used to determine the number of housing units required through the program is:

Net Addition Gross Sq. Ft. Office Space x .000386 = Housing Units

The formula used to determine the fee to be paid if the developer does not wish to construct housing units as of January 1, 1995 was:

Net Addition Gross Sq. Ft. Office Space x $7.05 = Total Fee

This formula is revised in January each year based on average housing prices in the San Francisco region.

Santa Monica

A basic linkage fee policy adopted in 1981 was revised as part of a new land use element of the master plan for downtown development in October 1984. The land use plan creates a linkage formula that requires developers of large office projects to pay impact mitigation fees for housing and parks. "Developers can either provide housing or parks or pay in lieu fees of $2.25 per square foot for the first 15,000 square feet and $5 per square foot for the remaining space."[13] This policy may never have been implemented due to political changes in Santa Monica.

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[12] *Analysis of the OAHPP Formula*, prepared by the San Francisco Department of City Planning, November 1994.
[13] Keating, Page 136

In 1998, the City of Santa Monica adopted a housing linkage program called the "Affordable Housing Production Program." This program links the development of market rate multi-family housing with the need for increased lower cost housing in the city. The city conducted a study of

> "the relationship between the demand for goods and services created by households who occupy new market rate multi-family development…,the number of low-wage workers in public agencies and businesses needed to satisfy this demand, and the costs of producing the affordable housing needed by these workers." *Santa Monica City Code, Chapter 9.56.010.*

The study indicated a range per square foot that could be imposed on new market rate multi-family development to help finance the development of affordable housing needed to meet the demand created by the market rate development. While this requirement is similar to an inclusionary housing program, it has been identified as separate from Santa Monica's Inclusionary Housing Program that requires 30 percent of new multi-family housing constructed within the city be affordable to low- and moderate-income residents.

Boston

The City of Boston established a linkage program in December 1983 to direct some of the benefits of downtown investment to the building of affordable housing in city neighborhoods. It requires that any commercial project larger than 100,000 square feet either pay a fee of $6/square foot, of which $1 per square foot goes to a job training fund and $5 per square foot is used for housing purposes. Linkage payments into the Neighborhood Housing Trust are amortized over a period of either seven or twelve years, depending on the date of the initial agreement. Current agreements provide for a seven-year payment period. The seven-member Neighborhood Housing Trust holds public hearings and approves linkage grants to selected projects. As of December 1997, $42.8 million had been allocated for the construction or renovation of 4,905 housing units in 70 projects in Boston's neighborhoods.

Funds for the Neighborhood Jobs Trust come from the Jobs Linkage Fee of one dollar per square foot described above. This component of the Linkage Fee came from a 1986 amendment to the original legislation. Payments are made in two parts, with one half due at the time a building permit is issued, and the balance due one year later. Over the 1988-1997 time period $3.9 million have been awarded, resulting in the creation of 56 programs. The Neighborhood Jobs Trust supports new and innovative education and training programs that result in high wage employment, new or non-traditional employment opportunities, and community based projects that respond to local educational and training needs. The Jobs Trust focuses on providing appropriate services to the residents of neighborhoods where (or adjacent to) a given development project.

Sacramento

The Sacramento Housing Trust Fund and the linkage fee program came about as a result of a joint City and County Housing Finance Task Force that analyzed many options in the late 1980's. In 1987 the Housing Nexus Analysis, that analyzed relationships between growth, buildings, employees, lower income households and housing demand, was written. This document withstood court challenges once a housing linkage fee was instituted in Sacramento. Sacramento was the first major city in the country to apply a linkage fee to all commercial and industrial land uses in the city.

Sacramento City Code, updated in 1999, describes the Housing Trust Fund Program. The money collected through linkage fees is deposited in a citywide fund that is used to increase and improve the supply of housing affordable to low and very low income households. The funds are administered by the Sacramento Housing and Redevelopment Agency. Criteria are developed to determine the appropriate location of housing developed with these funds, the purpose of which is to: 1) ensure a reasonable geographic linkage between nonresidential development projects and the future residents of affordable housing; 2) ensure conformity with the fair share plan adopted by the city council; and 3) promote air quality goals (e.g., access to public transportation).

The housing linkage fee requirement applies to nonresidential development projects that propose construction, addition, or interior remodeling. The fee is determined as shown in Table 7 below.

Table 7: Housing Fee Requirement

Type of Use	Fee/Building Square Feet
Office	$.99
Hotel	$.94
Research & Development	$.84
Commercial	$.79
Manufacturing	$.62
Warehouse/office*	$.36
Warehouse	$.27

Source: Sacramento City Code, Section 17.188.1001A Appendix A HOUSING FEE REQUIREMENT CITYWIDE.
**Warehouse buildings with a minor portion (25% maximum) of the space improved for incidental office use.*

As an alternative to payment of the fee described above, a developer may elect to pay a reduced fee (20%) along with a proscribed number of housing units based on the proposed nonresidential square feet. This alternative is described in Table 8 below.

Table 8: Housing Fee and Construction Alternative

Type of Use*	20% Fee/ Building Square Feet	Housing Unit Factor/ Square Feet
Office	$.20	.000127
Hotel	$.19	.000042
Research & Development	$.17	.000091
Commercial	$.16	.000106
Manufacturing	$.12	.000042
Warehouse/office*	$.07	.000021
Warehouse	$.07	.000021

Source: Sacramento City Code, Section 17.188.1002A Appendix A HOUSING FEE AND CONSTRUCTION ALTERNATIVE.
**Nonresidential development projects that do not fall within a specific type of use category will be evaluated on a project-by-project basis to determine an appropriate fee and housing unit factor.*

Potential Limitations

- In areas where linkage fees have been proposed only in the downtown of the central city there have been major concerns that "the resulting increase in development costs and commercial rents will deflect commercial development from the central city to the suburbs. This is particularly true, (critics) suggest when those suburbs not only do not impose linkage requirements but have lower land costs and lower taxes and enjoy other competitive advantages."[14] This argues strongly for using a more regional approach to linkage fees if possible.
- Keating suggests that linkage policies are most likely to be implementable in areas where "state-imposed limitations on ad valorem taxes restrict the ability of cities with downtown development booms to raise revenues from new development to address (the) problems (such development creates)." Measures 5 and 50 effectively create such a situation in the Portland metro area.
- "Jobs Housing Nexus Analysis" a 1997 report from Keyser Marston Associates (a consulting firm) for the City and County of San Francisco, provides an analysis of the nexus between commercial and industrial development and the need for very low-income housing. The study found a strong and demonstrable nexus, and furthermore quantifies this nexus for the San

[14] Keating. Page 134.

Francisco area. Similar studies have been conducted for Sacramento, and such a study should be conducted for the Portland metro region if this tool is to be implemented.
- Is a housing linkage fee actually considered a tax or a fee? There may be legal implications if a linkage fee is implemented at the local level since it may be considered a System Development Charge (SDC). If considered an SDC, the linkage fee would not be one of the five types of SDCs that are allowed in Oregon by state law. However, Metro may be able to impose such a fee as a tax.
- Linkage fees could be imposed on the number of low wage jobs created by a commercial or industrial development. Most examples of linkage fees are a one-time fee paid at the time of development, but a linkage fee could be assessed annually based on the number of low wage employees. This approach may serve to encourage businesses to provide “living wage” jobs.

Implementation Strategy
A housing linkage fee program could be implemented as an overlay zone, targeted to specific areas such as the regional centers identified on the 2040 Growth Concept map. A linkage fee could also be considered a “tax.” Imposing a linkage fee similar to the one imposed in San Francisco (or Sacramento) on the development of commercial or industrial development inside the UGB could provide a pool of funds for affordable housing. A housing linkage fee could be pursued on a regional or local level.

An alternative approach would be to recommend that individual jurisdictions impose a linkage fee on commercial or industrial development inside their boundaries. However, this piecemeal approach would probably be far less effective for two reasons. First because it would be less likely to be implemented in most of the region. Second, because creating the fee in one part of the region but not in others could result in companies choosing to locate in jurisdictions without these fees – a much easier decision for them if that jurisdiction is right next door with similar location amenities than if they would need to locate outside the Portland metropolitan region to avoid the fee.

5. USE AND ADMINISTRATION OF A REGIONAL HOUSING FUND
A regional housing fund could be allocated in a variety of ways. The Regional Funding Subcommittee discussed numerous possibilities, and concluded that the following general principles are key in developing guidelines for the use and administration of a regional fund.
- ***Flexibility is crucial.*** A regional housing fund should allow for various options in the use of the funds to better meet the regional needs for affordable housing. These needs vary by jurisdiction and also may change over time, thus flexibility in utilizing the dollars is crucial to meeting regional housing needs.
- ***Target regional fund dollars to help meet specific needs.*** Guidelines for the general disbursement of the regional fund dollars should target specific housing needs in the region such as meeting regional fair share goals, aiding first time homebuyers, and helping seniors and people with disabilities find affordable housing.

Table 9
Suggested Options for Use and Administration of a Regional Fund

OPTIONS FOR USE OF A REGIONAL FUND		
Multi-Family Rental Housing *(focused on construction, preservation, & rehabilitation of housing for <50% MHI)*	**First Time Homebuyer** *(focused on eligible homebuyers (80%MHI) to provide down payment assistance)*	**Infrastructure** *(focus to be determined in consultation with the stakeholders)*
OPTIONS FOR DISTRIBUTION OF A REGIONAL FUND		

<table>
<tr><td>A. Fair share method
– Possibly based on sub-regional allocations (counties)
– Fair share targets could be used as a guideline for allocating funds
B. Number of real estate transactions in a jurisdiction
C. Population
D. Projected population growth
E. Poverty statistics</td><td>Ask the Stakeholders:
What should funds be used for?

Subcommittee recommendation on possible use of funds:
Reimburse local governments for reduced or waived SDCs</td></tr>
<tr><td colspan="2">OPTIONS FOR ADMINISTRATION</td></tr>
<tr><td colspan="2">Preliminary Recommendation of the Subcommittee:
• Existing Participating Jurisdictions (those jurisdictions that already administer HOME funds)

Other options:
➢ State (Oregon Housing and Community Services Department)
➢ Portland Development Commission
➢ Metro
➢ Clackamas, Multnomah, and Washington Counties</td></tr>
</table>

Other H-TAC subcommittees have also identified uses for a potential regional fund. Possible uses for a fund identified by the Cost Reduction Subcommittee include:

- *System Development Charges:* Use a regional fund to reimburse jurisdictions for revenue foregone due to deferred or forgiven SDCs.
- *Permit Fees:* Use a regional fund to pay for permit fees for affordable housing.
- *Off Site Improvements:* Use a portion of a regional fund as a "bank" to fund off site improvements for affordable housing developments. The fund could be provided at varying low interest rate loans depending on the amount of affordable housing provided at the site.

Possible uses for a fund identified by the Land Use and Regulatory Subcommittee include:

- *Long-Term or Permanent Affordability:* Tie the use of a regional fund to permanent affordability.
- *Inclusionary Housing/Zoning:* If a regional funding source is established, some of the funds could be used as a tool to encourage mixed income projects and to encourage more market-rate developers to participate in the production of affordable housing.

RECOMMENDATIONS

The Regional Funding Subcommittee recommends that H-TAC pursue the following implementation strategies to facilitate the development of affordable housing in order to meet affordable housing production goals.

A. Maximize Existing Resources

1. Training Program

Develop a training program for staff from local jurisdictions, nonprofit and for profit housing developers, and lenders to enable them to increase efficiency in producing affordable units. Possible components include:

- *Management of Program.* The program could be run through an existing organization that provides technical assistance for affordable housing development, such as the Neighborhood Partnership Fund.
- *Annual Training Sessions.* Annual 1-2 day training sessions focused on grant writing, resource management, effective tools and providing opportunities for jurisdictional coordination.
- *Internet Resource Site.* Add to the Enterprise Foundation web site, to provide information from annual training sessions as well as resources, best practices, and grant deadlines.
- *E-mail List Serve.* Compile an email list serve of those interested in receiving updates on funding opportunities, and to serve as a forum for issues related to increasing the supply of affordable housing in the region. The Enterprise Foundation website is a good start (*www.enterprisefoundation.org*)
- *Expanded Scope.* Annual training sessions and other resources could be focused specifically on funding opportunities or expanded to provide a forum for dispersing information on best practices for cost reduction and land use strategies.

A training program that included the components outlined above would substantially maximize the use of existing resources available in the region, as well as allow all jurisdictions to participate in providing more opportunities to develop affordable housing. While the number of additional housing units that may be produced is not currently known, the additional effort should result in some increase and also may increase political will and awareness of housing issues across the region.

2. Coordinate and Improve Federal Programs and Resources

A. Consistent Consolidated Plans in the Region

Entitlement jurisdictions currently working to develop consolidated plans (required by HUD) should include a letter or short memo in each Consolidated Plan that describes regional efforts to address housing issues. Efforts should be made to discuss further coordination in the future.

B. Allocation of HOME Funds

Recommended strategies for maximizing the effectiveness of HOME dollars in the Metro region.

- *Coordination.* Possibility of coordinating HOME funds with the cities and counties of the region – regional coordination as exemplified by A Regional Coalition for Housing (ARCH) in east King County, Washington.
- Prioritize based on highest need. Use HOME dollars in a way that meets highest priority regional needs, consistent with local priorities described in local Consolidated Plans.

C. Promote changes with HUD & other Federal Programs

Encourage the Oregon Congressional delegation to support changes with HUD and other Federal programs to encourage the development of affordable housing, especially as referenced below.

- *Change the length of the contract.* Federal budget accounting should be changed to permit longer-term contracts for all HUD rental assistance, even in the absence of an increase in total units, which should also be supported. This would give greater parity to programs that serve very low income tenants (other federally funded programs providing benefits for higher income tenants than rental assistance programs – such as the Low Income Housing Tax Credit program– provide 10-30 years of federal benefits).

- Allow more discretion to local housing authorities to project base Section 8 vouchers. Change administrative rules to permit simple project basing of vouchers, subject to 15% cap of total units. HUD estimates this would support $90-120 million one time acquisition/construction of affordable and available units. (Note: HUD estimates that nationally 53% of units with affordable rents are not available because higher income renters occupy them).

Encourage elected leaders in the Metro region to execute an intergovernmental agreement to require that all publicly assisted projects accept voucher tenants using the same screening criteria as other tenants.

3. Regional Acquisition Fund

Encourage all participating jurisdictions to utilize The Enterprise Foundation's $20 million regional acquisition fund. While this is not a permanent funding source, it provides jurisdictions access to capital to acquire quality development sites when they are available. This fund is low cost patient capital that will allow jurisdictions to purchase and hold property for up to five years prior to development. However, the Enterprise Foundation does require a guarantee. The counties should work with Enterprise to develop a consistent mechanism for loaning the money.

B. New Funding Source

1. Employer Sponsored Housing

Employer Based Programs. Local governments, community and business leaders should encourage employers to consider developing homeownership and rental assistance programs for their employees.

2. Real Estate Transfer Tax

The real estate transfer tax provides the best opportunity to raise a relatively large amount of money for housing that could be controlled by the region. The concept generated strong support in a focus group H-TAC held to gather additional input from housing and financial specialists not involved in the H-TAC process. A proposal describing the RETT has been circulated among all the local elected officials in the region. Local elected officials and development industry representatives have expressed support for a RETT, with the Realtors providing the only significant objection. Although implementation of a regional real estate transfer tax does face some major hurdles, H-TAC concluded that the revenue potential and connection to affordable housing provide reason enough to pursue the RETT as a funding source. It is important to note that the implementation of a RETT would raise a substantial amount of revenue to be directed towards meeting affordable housing production goals proposed by H-TAC.

Implementation of a RETT would require several steps prior to funds actually being collected. Most importantly, the Legislature would have to change the law that prohibits local governments from collecting a real estate transfer tax. The Legislature may also choose to implement a statewide or Metro area real estate transfer tax dedicated to affordable housing. However, this is currently unlikely. There is general consensus that a coalition of local leaders will go to the Legislature to request a change in the current law that prohibits a RETT, or exempt the Metro region from the law, and to allow a ballot measure to implement the RETT in the Metro region to be taken to the voters.

Funds raised through a real estate transfer tax could be allocated in a variety of ways, but would be focused on achieving the affordable housing production goals set by H-TAC.

3. Use and Administration of a New Regional Housing Fund

A regional housing fund could be allocated in a variety of ways. Key stakeholders should be involved in decisions regarding the use, allocation and administration of a regional housing fund. Strategies identified by other H-TAC subcommittees for the potential use of a regional fund should also be considered. The following general principles are key in developing guidelines for the use and administration of a regional fund.

- ***Flexibility is crucial.*** A regional housing fund should allow for various options in the use of the funds to better meet the regional needs for affordable housing. These needs vary by jurisdiction and also may change over time, thus flexibility in utilizing the dollars is crucial to meeting regional housing needs.
- ***Target regional fund dollars to help meet specific needs.*** Guidelines for the general disbursement of the regional fund dollars should target specific housing needs in the region such as meeting regional affordable housing production goals, aiding first time homebuyers, and helping seniors and people with disabilities find affordable housing.
- ***Final decisions should be delayed until more work has been done.*** Negotiations over how the fund should be allocated and administered should not be conducted until after further work has been done to get a regional fund in place.

Conclusion

If all of the above implementation strategies are carried through, local jurisdictions will be in a much better position to meet the affordable housing needs of residents of all income groups in the region.

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APPENDIX

A. Sampling of Public Funding Sources for Affordable Housing

A. Sampling of Public Funding Sources for Affordable Housing ****These tables are DRAFT****

***Several programs use federal funds, but are planned and delivered by State or local government. The convention used here is to show these programs by the government level where they are delivered, not by the source of funds.*

Source		Program	How does it work?	Type of housing/Who Benefits	Who can apply?
Federal	*HUD Formula Grants*	Community Development Block Grants (CDBG)	Direct grants to entitlement communities from HUD to revitalize neighborhoods, expand affordable housing and economic opportunities, and/or improve community facilities and services.	Housing for households with incomes below 80% of regional median household income	*Entitlement communities.* CDBG is allocated by formula to jurisdictions over 50,000 people, and to counties for allocation to smaller jurisdictions
		HOME funds	HOME funds are awarded by HUD through a formula to participating jurisdictions — each dollar of grant funds must be matched with 25 cents of local money	Housing for households with incomes below 80% of regional median household income	*Cities/counties.* Allocated by formula — smaller jurisdictions may form consortiums to apply for HOME funds
		HOPWA — Housing Assistance to Persons With Aids	Provides housing assistance and supportive services for low-income people with HIV/AIDS and their families.	Housing for low-income people with AIDS, but also may provide services and information to anyone with HIV/AIDS	*Cities/counties.* 90% of funds are allocated by formula to cities with a specified number of AIDS cases; 10% is allocated competitively
		Emergency Shelter Grants	Supplements local efforts to fund efforts to address the homeless population.	Conversion, renovation, or rehabilitation of homeless shelters. People must be homeless to benefit from housing built with these funds.	*Cities/counties/states.* Allocated annually based on the CDBG formula. States do not have to match the first $100,000; local governments must match grant funds.
	HUD Competitive Grants	Section 811: Supportive Housing for Persons with Disabilities Program	Provides funding for supportive housing for very low-income persons with disabilities who are at least 18 years old.	Capital advances to construct, rehabilitate, or acquire structures to be used for housing; contracts for project rental assistance	Non-profit organizations with 501(c)(3) designation from the IRS
		Section 202: Supportive Housing for the Elderly Program	Provides funding for supportive housing for very low-income persons 62 years of age and older.	Capital advance funds to construct, rehabilitate, or acquire structures to be used for housing — funds need not be repaid if units are kept as low-income elderly housing for 40 years or more; project rental assistance.	Private non-profit organizations and non-profit consumer cooperatives
		Brownfields Economic Development Initiative (BEDI)	Designed to help cities redevelop abandoned, idled, or underutilized industrial and commercial facilities where expansion or redevelopment is inhibited by real or perceived environmental contamination — brownfields.	Must increase economic activity for low or moderate income persons, may be used for mixed-use housing	Local governments
		Supportive Housing Program	Provides competitive grants to develop supportive housing and services that will enable homeless people to live as independently as possible.	Program funds help homeless people live in a more stable place, increase their skills or income, and gain more control over decisions that affect their lives.	Government agencies, public or private non-profits — must provide a match
	Tenant Based	Section 8 Vouchers and Certificates	Tenant-based Section 8 provides rent assistance to very low-income households who can then choose a property owned by a private for- or non-profit landlord. The recipient must find an owner willing to comply with the Section 8 program requirements.	Households up to 80% MHI are eligible, but the program is targeted to those under 50%. 75% of households served must be below 30%MHI.	Low-income renter households. *HUD has issued proposed rules to permit discretionary use of vouchers for **home ownership** tied to workforce development & self-sufficiency strategies.*
		Shelter Plus Care	Provides rental assistance that, when combined with social services, provides supportive services for homeless people with disabilities and their families.	Homeless people with disabilities often need more than just shelter to live independently: they often need medical care or social services.	Government agencies, public housing agencies — must provide a match

Source		Program	How does it work?	Type of housing/Who Benefits	Who can apply?
State	*Multi-*	Oregon Housing Trust Fund	Created to expand the State s supply of housing for low and very low-income families and individuals by providing funds to construct new housing or to acquire and/or renovate existing structures.	Entire project need not be for low-income people, but the proportion of affordable units determines the level of the grant.	Housing developers, for profit and non-profit
		Low Income Housing Tax Credit Program (LIHTC)	Provides federal tax credits to developers of low-income housing projects, the developers can use the credits to directly reduce their own tax liability but typically sell the credits to corporations for cash with which to develop housing.	Must be used for low-income housing; units must remain affordable for a period of 30 years; must go through a design review process.	Housing developers, for profit and non-profit
		Oregon Affordable Housing Tax Credit Program (OAHTC)	OHCSD certifies tax credits for housing projects, allowing lending institutions to lower the interest rate on a loan by as much as 4%.	Housing or community rehabilitation projects serving low-income people. Savings on loan must be passed to tenants in form of reduced rents.	Housing developers must enter into restrictive covenants on rents charged to tenants.

	Elderly and Disabled Housing Loan Program	Issues tax exempt bonds to make below-market interest rate permanent mortgage loans	New construction, substantial rehabilitation, and acquisition of rental housing units	For profit and non profit housing developers
	Enterprise Predevelopment Loan Program	A revolving loan fund administered by the Enterprise Foundation in partnership with OHCSD	Predevelopment activities and property acquisition to facilitate the development of housing	Housing developers **outside of Multnomah County**
	Loan Guarantee Program	Established by the 1991 Legislature to provide loan guarantees for up to 25% of the original principal balance of a loan	New construction, acquisition or rehabilitation	Housing developers
	Risk Sharing Program (Multi-Unit Rental Housing)	Partnership between HUD and OHCSD for the credit enhancement of tax exempt bond financing to provide permanent first mortgage financing for affordable multi-family rental housing	New construction, acquisition with substantial rehabilitation	Non profit, for profit, government housing developers
	OHCSD Predevelopment Loan Program	Provides below market financing and flexible terms through a partnership between OHCSD and Fannie Mae.	Site acquisition and typical predevelopment expenses	Housing developers; preference given to projects that meet Oregon s Quality Development Objectives*
	Oregon Rural Rehabilitation Loan	A loan fund to meet the critical need for farmworker housing.	Can be used exclusively for farmworker housing	Housing developers
	Seed Money Advance Loan Program	A revolving loan fund that provides no-interest loans to qualified not-for-profits and interest-bearing loans to qualified for-profit sponsors from a $250,000 revolving loan fund.	Recoverable preconstruction costs before construction loan proceeds become available	Housing developers
	PAE Preservation	Mortgage restructuring of specific FHA insured loans supported by project-based section 8 housing assistance and secured by those properties.	Goal is to preserve affordable housing in Oregon	
Single Family	First Time Homebuyer loans	Offers below market interest rate mortgages from the proceeds of tax-exempt mortgage revenue bonds	Home ownership	Eligible homebuyers
	Veteran s Loan Program	Offers below market interest rate mortgages to Oregon veterans	Home ownership	Eligible homebuyers

*Oregon s Quality Development Objectives (QDO s) include: compact developments within existing urban growth boundaries; mixed-use and energy efficient developments; a development mix that addresses community and economic goals; and developments providing a balance of jobs and housing to reduce commuting.

Source			Program	How does it work?	Type of housing/Who Benefits	Who can apply?
City of Portland	Property Tax Abatement/ Exemption Programs		Low Income Housing Held by Charitable Non-Profit Organizations	Goal is to promote rental housing for low-income renters	Land and improvements are eligible for a 1-year abatement if the housing is affordable to households earning 60% or less of median family income.	Non-Profit Housing Developers
City of Portland	Property Tax Abatement/ Exemption Programs		New Construction of Single Unit Housing in Distressed Areas	Goal is to promote new housing in distressed areas designated by the Planning Commission	Property owner who meets geographic & housing price restrictions may apply for a 10-year abatement. Housing price limit set annually up to 120% of median sales price of single-family homes in city. Only improvement value is exempt.	Property owner, subject to income and geographic restrictions
City of Portland	Property Tax Abatement/ Exemption Programs		Transit Supportive Residential or Mixed-Use Development	Goal is to support residential and mixed-use development in transit oriented areas	New construction of more than 8 units must meet a public benefit test that includes requirements for affordable housing — 10-year abatement period	Developers of new construction rental or homeowner projects with 8 or more units
City of Portland	Property Tax Abatement/ Exemption Programs		Residential Rehabilitation	Goal is to promote rehabilitation of rental housing where the cost of improvement is greater than 50% of improvement value	Program requires that designated units must be occupied by and rented at rates affordable to tenants with household incomes of 60% MHI or less.	Property owners who rent their properties
City of Portland	Property Tax Abatement/ Exemption Programs		Owner-Occupied Rehabilitation in Distressed Areas	Program encourages rehabilitation of owner-occupied housing in designated distressed areas	10-year abatement offered property owners if the improvement cost is greater than 50% of the value of the improvement (or 10% if the building is older than 32 years)	Property owners
City of Portland	System Development Charge Exemptions		Transportation SDC Waiver	Full SDC exemptions are allowed for 1) new development that does not generate more than 15% more vehicle trips than the present use of the property; and 2) low-income housing owned by a non-profit or the Housing Authority. Partial exemptions are allowed for designated Transit Oriented Developments within city.	Low-income housing developed by a non-profit or HAP must meet the following requirements to be fully exempt: for rentals the rent must be affordable to households earning less than 60% MHI, and for owner occupied the sales price must be affordable to households earning less than 100% MHI.	Non-profit housing developers, Housing Authority
City of Portland	System Development Charge Exemptions		Development Fee Waiver Policy	Fee waivers for the construction or rehabilitation of housing for low-income residents by nonprofit organizations.	Nonprofit organizations must provide homeownership for households at 80% MHI or less, or rental projects with a minimum of 51% of units targeted to 60% MHI or less.	Nonprofit, non-governmental organizations
City of Portland	Housing Finance Programs	Rental Housing	Housing Development Finance	Low interest loans for use in property acquisition refinancing, rehabilitation and new construction of rental housing units.	Loans may be used for gap financing, and/or for bridging the temporary financial need between acquisition, construction, permanent loans & equity to fund total development costs.	Housing developers
City of Portland	Housing Finance Programs	Rental Housing	Equity Gap Investment (EGI)	Funding available to nonprofit developers of rental housing where a project is undercapitalized or lacks sufficient debt service to qualify for an RHDL loan	Over 50% of the units must serve low and moderate income households	Nonprofit housing developers
City of Portland	Housing Finance Programs	Rental Housing	Predevelopment Loans	Financing for nonprofit developers for the costs necessary to perform specific activities related to site/project feasibility analysis or site preparation		Nonprofit housing developers
City of Portland	Housing Finance Programs	Rental Housing	Bond Allocation	City of Portland is an authorized issuer of both taxable & tax exempt bonds for multi-family housing projects	Must meet geographic, income & other requirements. PDC is responsible for processing applications & authorizing bonds.	Housing developers
City of Portland	Housing Finance Programs	Homeowner & Homebuyer Programs	Neighborhood Housing Preservation Program	*Deferred Payment Loan:* An interest free loan to finance eligible home repairs	Available to homeowners earning less than 50% MHI.	Homeowners earning less than 50% MHI
City of Portland	Housing Finance Programs	Homeowner & Homebuyer Programs		*Low-Interest Loan:* To finance eligible repairs and other home improvements at an interest rate determined with a sliding scale to keep monthly housing expenses affordable	Available to Targeted Neighborhood homeowners earning less than 80% MHI	Homeowners in Targeted Neighborhoods
City of Portland	Housing Finance Programs	Homeowner & Homebuyer Programs	First Time Home Buyers	PDC financing is available through selected nonprofit and for profit developers of owner occupied homes to be sold to First Time Homebuyers	Buyers must earn less than 80% of MHI	First Time Homebuyers

Source			Program	How does it work?	Type of housing/Who Benefits	Who can apply?
City of Gresham	*Property Tax Abatement*		Transit-Oriented Tax Abatement Program	Limited 10-year property tax exemptions to qualified new transit-oriented development in downtown Gresham, the Civic Neighborhood and Central Rockwood. Council approval of each project is required. Operated through Transportation Planning Department	Residential and mixed-use development — specific guidelines for each area	Developers (for-profit, nonprofit)
City of Gresham	SDCs		SDC Financing Program	Payment of SDCs deferred until occupancy or financed over a period of 10 years. Requires superior lien on property.	Available to all commercial and residential development.	Developers (for-profit, nonprofit) may apply to the Business Assistance Program
City of Gresham	*Housing Finance Programs*	*Rental Housing*	Special Needs Housing	CDBG/HOME grants to subsidize the development of special needs housing	Benefits households with special needs whose incomes are below 80% MFI. Typically, all are below 60% MFI and most are below 30% MFI.	Nonprofit agencies/ housing developers and for-profit developers may apply to the Community Revitalization Program
City of Gresham	*Housing Finance Programs*	*Rental Housing*	Acquisition and Rehab of Existing Rental Housing	CDBG/HOME grants to subsidize the acquisition and rehabilitation of existing rental housing. 60 year affordability requirement after rehab.	Benefits households living in market-rate affordable housing in need of rehab and more responsible ownership. Targeted to benefiting households under 60% MFI. To avoid displacement, some households initially may have incomes higher than 60% MFI, but must be replaced with households with incomes below 60% MFI when units become vacant.	Non-profit and for-profit housing developers may apply to Community Revitalization Program.
City of Gresham	*Housing Finance Programs*	*Rental Housing*	Pre-development Loans	HOME loan to provide up-front funds for feasibility analysis, site option, or other pre-development costs for projects that will fit into either of the two programs above. Recaptured when permanent financing is provided.	Typically benefits households earning less than 60% MFI.	Only Community Housing Development Organizations (CDHO s) may apply.
City of Gresham	*Housing Finance Programs*	*Elderly/ Disabled*	Adapt-A-Home	Grants of up to $2,500 to help pay for improvements to make homes accessible to residents with disabilities.	Benefits households earning less than 80% MFI	Elderly or disabled households apply to Unlimited Choices
City of Gresham	*Housing Finance Programs*	*Homeowner & Homebuyer Programs*	Rockwood Buyer-Initiated Homeownership Program	Shared Appreciation Mortgage provided to first-time homebuyers purchasing a home in the Rockwood neighborhood. Reduces monthly mortgage payments.	Benefits households earning less than 80% MFI.	First-time homebuyers may apply when funds are available.
City of Gresham	*Housing Finance Programs*	*Homeowner & Homebuyer Programs*	Rockwood Developer-Initiated Homeownership Program	0% interest construction loan provided to developers building new housing in the Rockwood neighborhood that will be sold to qualified first-time homebuyers earning less than 80% MFI	Benefits households earning less than 80% MFI	Non-profit and for-profit housing developers may apply to Community Revitalization Program.

Source		Program	How does it work?	Type of housing/Who Benefits	Who can apply?
Clackamas County	Rental Housing Programs	Pre-development Loan Program	Funds will be used to complete the earliest pre-development activity necessary to determine whether the project is feasible. (HOME funds)	Multi-family rental housing that serves low- or moderate-income persons. Property must be located in Clackamas County.	Loans made to qualified Community Housing Development Organizations (CHDO) that demonstrate need for assistance.
Clackamas County	Rental Housing Programs	Rental Rehabilitation Loan Program	Provides low-interest loans to landlords for complete repairs or exterior repairs only. (CDBG funds)	Multi-family rental housing that serves low-income persons. Rent restrictions apply. Property must be located in Clackamas County, in need of repairing but suitable for rehabilitation.	Property owner with good credit and ability to repay the loan. Property taxes must be current. Sufficient equity required.
Clackamas County	Rental Housing Programs	Housing Development Finance	Low-interest and/or deferred payment loans used for gap financing in property acquisition, rehabilitation and new construction of rental units. (HOME funds)	Multi-family rental housing that serves low- or moderate-income persons. Property must be located in Clackamas County.	Housing developers.
Clackamas County	Housing Authority programs	Property tax exemption	Properties owned by the Housing Authority do not pay property taxes	All housing owned by the Housing Authority	Housing Authority
Clackamas County	Housing Authority programs	Tax Foreclosed Property	Tax foreclosed property can be transferred to the Housing Authority	Used primarily for special needs housing	Housing Authority
Clackamas County	Housing Authority programs	Housing Authority Bond Financing	The Housing Authority issues tax exempt bonds to acquire multi-family housing	Households earning up to 80% of area median income	Housing Authority
Clackamas County	Elderly/ Disabled	Adapt-A-Home	Grants of up to $2,500 to help pay for improvements to make homes accessible to residents with disabilities.	Benefits households earning less than 80 % MFI	Elderly or disabled households
Clackamas County	Homeowner & Homebuyer Programs	County Homebuyer Assistance Program *(under development)*	Will provide 0% deferred payment loans of up to $10,000 for down payment or closing costs. (HOME funds)	Homebuyers earning less than 80% of area median income. Property must be located in Clackamas County. Maximum price of home will be $150,000.	Income eligible household that has not owned a home in the previous 3-year period.
Clackamas County	Homeowner & Homebuyer Programs	Home Repair Deferred Payment Loan Program	Provides low-income homeowners with deferred payment loans for complete repairs, exterior repairs only, or furnace/heating system repair only. (CDBG funds)	Homeowners earning less than 50% of area median income. Property must be located in Clackamas County, in need of repairing but suitable for rehabilitation.	Low-income owner/occupants. $15,000 asset limit ($50,000 if 62 or older). Property taxes must be current. Sufficient equity required.
Clackamas County	Homeowner & Homebuyer Programs	County Paint Program Grant	Provides paint grant to low-income homeowners for exterior house painting. Homeowner is responsible for applying paint. (CDBG funds)	Homeowners earning less than 50% of area median income. Property must be located in Clackamas County and in need of painting.	Low-income owner-occupants. Property taxes must be current.
Clackamas County	Homeowner & Homebuyer Programs	County Home Improvement Loan Program	Provides low-interest loans to low- and moderate-income homeowners for complete home repairs or exterior only home repairs. (CDBG funds)	Homeowners earning less than 80% of area median income. Property must be located in Clackamas County, in need of repairing but suitable for rehabilitation.	Low-income owner/occupants with good credit and ability to repay loan. Property taxes must be current. Sufficient equity required.

Source			Program	How does it work?	Type of housing/Who Benefits	Who can apply?
Washington County *(The Washington County Consortium allocates HOME funds for Beaverton; HOME & CDBG funds for all cities in the county other than Beaverton — includingCornelius, Durham, Forest Grove, Hillsboro, King City, Tigard, Sherwood, Tualatin, & Wilsonvile)*	***Property Tax Abatement Programs***		Payment in Lieu of Taxes (PILOT)	Allows for the calculation of PILOT payments according to HUD s public housing formula for projects in which the Housing Authority of Washington County is a general partner.	Benefits households earning up to 80% of MFI. Typically, all units are affordable to households earning up to 60% of MFI.	Nonprofit and for-profit housing developers
	Density Bonus		Station Community Planning Ordinances	Density bonus for development in transit oriented areas.	Residential and mixed-use development.	Nonprofit and for-profit housing developers
	Fee Waivers		Development Fee Waivers	Washington County and the cities of Tigard and North Plains have waived development fees for the construction or rehabilitation of housing for low-income residents by nonprofit organizations.	Benefits households earning up to 80% of MFI. Typically, all units are affordable to households earning up to 60% of MFI.	Nonprofit housing developers.
	Housing Finance Programs	***Rental Housing***	Conduit Bond Financing	Washington County issues tax-exempt revenue bonds for multifamily housing projects to be acquired or built by private developers.	Benefits households earning up to 80% of MFI. Typically, all units are affordable to households earning up to 60% of MFI.	For-profit housing developers
			Housing Authority Bond Financing	The Housing Authority of Washington County issues housing authority bonds to acquire multifamily housing projects.	Benefits households earning up to 80% of MFI. Typically, all units are affordable to households earning up to 60% of MFI.	Housing Authority
			Housing Development Finance	Deferred payment, low-interest (3%) loans to enable developers to acquire, rehab, and/or construct affordable rental and supportive housing. (HOME & CDBG funds)	Benefits households earning up to 60% of MFI. Assisted supportive housing is occupied by persons with special needs who typically earn no more than 30% of MFI.	Nonprofit and for-profit housing developers
			Predevelopme nt loans	Zero-interest financing for developers to assist with project-specific predevelopment costs (e.g., feasibility analysis, sit control, etc.) (HOME funds)	Benefits households earning up to 60% of MFI.	Nonprofit housing developers
		Elderly/Disabled	Housing Rehabilitation	The Home Access and Repair for the Disabled and Elderly (HARDE) Program provides low-interest loans (for households with incomes at 51-80% of MFI) or grants (for those with incomes up to 50% of MFI) for housing rehabilitation, specifically general repairs of an urgent nature and accessibility improvements. The maximum loan or grant is $3,000. (CDBG funds)	*General repairs:* Single-family housing occupied by elderly homeowners with incomes up to 80% of MFI. *Accessibility improvements:* Single-family and rental housing occupied (or to be occupied) by homeowners (up to 80% of MFI) and renters (up to 50% of MFI) with disabilities.	Homeowners and renters
		Homeowner & Homebuyer Programs	Housing Development Finance	Deferred payment, low interest (3%) loans to enable developers to acquire or construct housing for sale to low-income first-time buyers (HOME & CDBG funds)	Benefits households earning up to 80% MFI	Nonprofit and for-profit housing developers
			Housing Rehabilitation	Deferred payment (3%) or interest-bearing (3-7%) loans of up to $25,000 for housing rehabilitation. Deferred interest bearing loans are due on sale; interest-bearing loans have a maximum term of 20 years. (CDBG & HOME funds)	*DIBL:* Benefits owners of single-family housing who have incomes up to 60% of MFI and seniors 62 years and older with incomes up to 80% of MFI. *IBL:* Benefits homeowners with incomes up to 80% of MFI.	Homeowners
		Other	Housing Rehabilitation	Comprehensive and self-help weatherization programs. (CDBG funds)	Homes owned or rented by low-income persons who earn up to 50% of MFI.	Homeowners and renters

Source			Program	How does it work?	Type of housing/Who Benefits	Who can apply?
The following cities also participate in the Washington County Consortium:						
City of Beaverton	*Housing Finance Programs*	*Rental Housing*	City Wide Rehab Program (Multifamily)	A portion of the rehab CDBG budget has been set aside, in the past, for assisting Tualatin Valley Housing Partners with multi-family rehab loans. They are the City s only CHDO partner.	Multi-family purchased by TVHP to keep units affordable in Beaverton.	CHDOs
City of Beaverton	*Housing Finance Programs*	*Homeowner & Homebuyer Programs*	Deferred Payment Loans	Exact program terms now being worked out with PDC who will administer the City s program. Up to $10,000 loans.	Available to owner-occupied homeowners citywide who earn less than 80% of MHI. Seniors, handicapped and single parent families are targeted.	Homeowners at or below 80% MHI
City of Beaverton	*Housing Finance Programs*	*Homeowner & Homebuyer Programs*	Mobile Home Rehab Grants	Up to $2,000 for health and safety code issues.	Same criteria as above except for loan amount.	Homeowners at or below 80% MHI
City of Hillsboro	*Housing Finance Programs*		Housing Development Finance	Deferred payment, low-interest (3%) loans to enable developers to acquire, rehabilitate, and/or construct affordable rental and supportive housing. (HOME & CDBG funds)	Benefits households earning up to 60% of MFI. Assisted supportive housing is occupied by persons with special needs who typically earn no more than 30% of MFI.	Nonprofit and for-profit housing developers
City of Hillsboro	*Property Tax Abatement/ Other Exemption Programs*		Station Community Planning Ordinances	Higher density encouraged for development in transit oriented areas, with wider flexibility of housing type and mix	Residential and mixed-use development	Nonprofit and for-profit housing developers
City of Hillsboro	*Property Tax Abatement/ Other Exemption Programs*		SDC Deferral	Water, sewer, surface water management and park fees can be deferred for 60 days during construction	Benefits projects of 3+ units for all income levels	Nonprofit and for-profit housing developers

APPENDICES

Appendix D.

Notebooks of Factual Information for Development of Affordable Housing Production Goals and the Strategy Reports

June 2000

Please Note: Appendix D is available for review from Metro's Growth Management Services Department.

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APPENDICES

Appendix E.

Public Comment

Of the
Regional Affordable Housing Strategy

June 2000

METRO

1. *Outreach Subcommittee Members*

Charge: Develop an Outreach Work Plan Outline and assist staff in developing public involvement materials and implementing public involvement activities.	
Diane Linn	Multnomah County Commissioner
Ramsay Weit	Commissioner Diane Linn's Office
Tasha Harmon	Community Development Network
Britt Parrott	Coalition for a Livable Future
Andree Tremoulet	City of Gresham
Ed Washington	Metro Councilor
John Broderick	MCCI Housing Subcommittee Representative

2. *Focus Group Summaries*

H-TAC held three focus groups to gather feedback on the strategies developed by the Cost Reduction Subcommittee, Land Use and Regulatory Subcommittee, and the Regional Funding Subcommittee. The meetings were facilitated by Judith Mowry and Anne Rutherford of Full Circle Consulting.

Cost Reduction Focus Group

March 3, 2000

Participants

Ralph Austin, Innovative Housing
Rajiv Batra, Urban Design Collaborative
Doug Draper, Genstar Land Company Northwest
Mark Forker, NW Natural
Ted Gilbert, HOST/Gilbert Brothers
Rick Holt, Holt & Haugh
Rick Marshall, Portland Habitat for Humanity
Ernie Platt, West Hills Development/ Home Builders Association
Nick Sauvie, ROSE CDC

H-TAC Members Present

David Bell, GSL Properties
Pat Ritz, Oregon Title
Gail Brownmiller, City of Hillsboro

Main Themes

- Fully explore incentives before regulation. Make developers and bureaucracy part of the solution. Examples: Bancroft loan, land bank.
- Broaden definition from housing from below 50% median household income to include more types of affordable housing (80% MHI).
- Metro's role is to influence standardization of permitting, development process throughout region. Then give development projects with affordable housing priority in review, expedite permitting time. Cut developer's cost by saving developer's time.

System Development Charges

Impact of Reducing SDC:

- SDC's vary by community creating unequal levels of impact. Ultimately the same number of dollars needs to be financed.

- Forgiving SDC's: Several people commented on the fact that "forgiving" SDC's simply displaces the cost and had concerns about where the money would ultimately come from.
- Different populations create different impacts on infrastructure (parks, etc.). Support making adjustments made to account for higher density development, looking at needs of particular populations.

Administration:

- The advantage of a statewide approach is that it is broader based. The disadvantage is the belief that it could cost more if administered through the state.
- Graduated waivers (e.g. the SDC proposal B) strike me as cumbersome to use, especially in developments, which include a mix of resident types. I'm inclined to stick with income level as the qualifier, and leave it simpler to administer. *(Written comment submitted by person who could not attend focus group.)*

Population affected by strategies:

- Sec. A1: The projects are defined as 50% or less of MFI. This definition only addresses low-income and not affordable housing costs. Affordable home ownership is defined at 80% MFI.
- Permit fees are tied to unit rather than valuation. This puts the burden on the first homebuyer and creates a heavier impact on affordable housing than on market rate housing, creating a higher impact on a narrow segment of consumers
- It will be important to have some means of verifying that public subsidies are passed along to the low-income resident who should be the beneficiary of those public investments. *(Written comments submitted by member unable to attend meeting.)*

Permit Fees

Permit Fee Levels:

- **Q:** Has there been consideration of what's happened to permit fees after Measure 5? Has there been abuse (raising them to cover costs not covered after Measure 5) since then? **A:** No jurisdiction would concede this – and the subcommittee did not consider this question in coming up with these strategies.
- Fee Deferral and Fee Forgiveness are both technically and politically feasible as strategies – but they may simply displace costs to other areas; this kind of impact needs to be considered.
- Need standards by which to measure the cost of a permit. A permit fee should be set to justify efficient operation of the service of providing a permit. Right now, it can be set at any level to justify maintaining the cost of the issuing bureau, even if it is not operating efficiently.
- Washington County Building Department stands alone: prohibited from making a profit from the fees it charges. That doesn't indicate whether the bureaucracy is too big as is, but at least its fees don't include charges to make a profit.
- Issue with forgiveness of fee is it just pushes the cost somewhere else. The municipality is still going to get that cost from somewhere. Comment from subcommittee member: State law does not allow local jurisdictions to charge differently.

Other Strategies:

- Suggestion for new strategy: if a plan comes in with certain mutually agreed-on criteria for affordable housing, guarantee that plan will get priority to be reviewed in ninety days, or half the fee will be waived. This would be an incentive to include affordable housing in development plans and would save the developer money by saving his or her time.
- Certificate of Occupancy (C of O) is an easier place to forgive fees than in tax credit equity. Answering comment: but doing that takes money out of the upfront cost. Permits are paid when the permanent financing goes down: so using the C of O misses the main reason to reduce costs.

Population affected by strategies:

- The strategies limiting fee reduction to projects serving those in the less than 50% of the regional median household income category does not address the issues broadly enough. As with SDC, would prefer broader definition that encompasses more affordable housing possibilities.

Property Tax Exemptions

- This provides a powerful tool for homeownership. How does it assist renters?
- Currently there needs to be 51% of a tax district (= school district) to support tax abatement. With the current state of schools will it be harder to get that support with their immediate need for revenue?
- Political positioning: Show long-term benefits of tax abatement to neighborhoods and schools.
- Rampant property value increases could potentially mean higher costs to tax district for abatement.
- Need to find ways that do not penalize districts for abatement.
- A model that indexed need might cater more to the people who need the affordable housing the most. This could be funded with city money and administered by the county.
- Tax abatements are currently for 10 years on land value only. If abatements were tied to a need index there may be ways to adjust length of abatement. If this is done, incentives need to be put in place to move out of the abatement, otherwise there could be abuse of this. Need to assess more than salary. One participant pointed out that a similar system in England is open to wide abuse.
- Develop a regional approach for specific areas of need, tied to broader political goals that can be applied regionally.
- Use abatement to "prime the pump".

Land Costs and Availability

- General comment: When affordable housing is on donated property, there is the potential for creating concentrations of poverty and stigmatizing the residents. There should be a focus on mixing affordable housing with market rate housing.

Increasing Infill v. Expanding UGB:

- The recommendations do not address land cost and availability. The focus group participants had a variety of opinions about ways to approach this issue. Some members would like Metro to look at the Urban Growth Boundary and develop ways to open up more land. Other members wanted to see a focus on prioritizing redevelopment of existing properties.
- Land cost and availability was identified as the "single most difficult challenge" in reducing the cost of affordable housing.
- HTAC chair let group know that Metro has addressed the Urban Growth Boundary in other documents.
- Fair Share Allocation: Some strategies are more applicable to some jurisdictions than others.
- Some jurisdictions have a greater need to look at UGB than others.
- Some members felt that the UGB is a political reality and that time and resources could be used more effectively in working within it than trying to change it. UGB seems strongly supported by voters and is a larger issue than housing.

Develop Incentives for Infill:

- Infill is more expensive and time consuming to develop. Currently "difficult to do the right thing." Need to make it cheaper to do infill. Create incentives for infill.
- Encourage development of "air space" above existing surface parking lots.
- Make incentives for development in the "core urban area"
- Suggestion: Create a Regional Land Bank using private sector resources with low cost impact on public sector. There could be a private sector line of credit with public credit enhancement. Buy at today's prices. This could pay for itself.
- Keeping Land Bank in private sector reduces cost of bureaucracy. Public funds can be used to assist population needing affordable housing and administer abatements, etc.
- Start by reviewing all land now in public domain, including right of ways.
- Explore mixed-use opportunities over existing development.
- Define overall strategies and prioritize them by % of cost reduction per strategy. Look for biggest impact.
- HTAC should fully explore getting most from the private sector.

Off-Site Improvements

- The public used to want to invest in off-site improvements, as part of encouraging growth and development. Now, the public is less pro-growth and so wants to put this cost on the developer, meaning eventually the consumer. Right now, there is no mechanism for reducing these costs for the affordable housing developer.
- Regionally, addressing storm-water run-off has to happen. It's a stupid requirement. Would especially emphasize bullet #4 under Regional - storm water retention.
- Also emphasize first two bullets under Local (reduction of Guarantee of Completion and reduction of Maintenance Guarantee.)

Bancroft Loan to Subsidize Costs:

- Suggestion: put a portion of the money the public is willing to allocate into a bonded debt (Bancroft Loan) to subsidize costs of off-site development for the affordable housing developer. Comment from other participant: This would be the most significant thing you could do to reduce costs. It would also help the first-time homebuyer.
- Comment from subcommittee: Bancroft loans used to be used a lot more, but fell off because the lender insisted the loan be paid off when sold. It could work if HUD would approve the loan.
- General agreement: Bancroft loans could be useful as suggested above if the ultimate lender will allow subordination on a Bancroft-type loan. Could use HUD, Fannie Mae, and other Federal lenders.

Local Regulatory Restraints

Need for region-wide standardized, seamless process:

- Each developer may have an opinion about whether he is willing to work in a certain county or municipality, based on experience with that entity. Single biggest thing you could do is standardize the zoning, land-use, permitting process so it is seamless across the region. The developer would know the game so it is less parochial.
- Comment: There is some recent state legislation that addresses this, but mostly with single-family housing. For example, plans have to be reviewed within ten days or must be out-sourced, and some standardization of forms. Answering comment: These may be theoretically in place, but are not happening "on the ground."
- Combine the offices of county and city surveyors. Right now, the developer has to go back and forth between them for the same location. Have only one surveyor per jurisdiction (plat surveys.)
- Get the county out of any kind of urban permitting process. (Counties are now hiring the cities to do it but are not giving them authority.) Use only urban entities to permit urban areas.
- Currently, it is hard to imagine why the process takes so long. The strategies suggested here under "Local" most local entities would say they are doing already, but they are not having much impact on streamlining the process. Question is whether they would know a streamlined process if they saw it.
- It's Metro's role to establish actual, measurable benchmarks and standards for the process (e.g., ten-day turn around.)
- Improving efficiency affects everyone, every kind of developer and consumer, not just those in affordable housing. The underlying problem of the slowness of the permitting process is tremendously costly; improving the baseline will improve this for everyone. Once this is done, refine the technique to by identifying ways to prioritize affordable housing (short cuts in review process, etc.)
- Be careful that improvements don't dis-advantage the first-time homebuyer.
- Get agreement on a regional policy level, and then set up procedure to expedite it.
- Set up a category of agreed-on policies (such as affordable housing, supporting clean air) that will get first-class treatment (like immediate review.) This will not reduce the overall pot of money collected by agency but will reduce the cost of development by saving the developer's time.
- Suggestion: Have Metro planners compare permitting process in Tigard and in Portland. Can't say which is better, but one takes nine months longer!

State and Local Coordination

- Focus group recommended going further with strategies.
- There is a disconnection between PDC, State, HUD and others. Many require reapplication, creating duplication and time delays.
- Standardize applications and reports
- Eliminate layers.
- A political problem is the over subscription of the funding cycle. Tangible demand for dollars creates resistance to change.
- Coordinate policy to reduce conflicts.
- Design review includes duplication of efforts between county and state. The timing has improved but there is room for more improvement.

State Regulatory Constraints

Cost Impact of Building Codes:

- The cost of complying with building codes impacts affordability. There has been significant "building code creep" in codes being added in recent years: cumulative effect is not analyzed and is significant in driving up development costs and limiting flexibility.
- Group identified lack of cost and affordability checks. Would like to see cost review standards. This would require political will.
- Unfunded mandates. Code changes related to things like sprinklers, seismic standards and green building substantially increase costs that build upon one another. Developers then must pass costs on to consumers. Each of these types of regulations is defensible and is a good idea, but is the outcome housing that no one can afford? Need to balance quality standards with right social results.
- For affordable housing: how do you look at funding strategies.
- Exempting doesn't seem like a good idea.
- Suggestion was made to require a cost impact statement for affordable housing with any new regulation or code. Impacts can include creating design restraints. (For instance, stair tread width and height can make two-story development of smaller houses unfeasible).

Parking

- Group felt many parking issues are addressed at other levels.
- Encourage innovative thinking about parking. Look to municipalities with more maturity in dealing with density for ideas. Create incentives for efficiencies like park sharing.
- Recognize resources for parking other than off street by unit. What other parking is available to be utilized. Take a "sub region" approach to identifying parking resources. Encourage overlap and leasing.
- Educate financial community.
- Look at innovative storm water solutions other than impervious surfaces. Look for solutions that are holistic, innovative and state of the art.

Additional Suggestions

- Fully explore incentives before regulation. Make developers and bureaucracy part of the solution.
- Consider approach: Affordable housing as a place or process. Look for ways to create a better social dynamic.
- Make sure funding is going to right source.
- Look at dynamic of PUC causing consumers to subsidize increased costs.

Land Use and Regulatory Focus Group

March 10, 2000

Participants

Ethan Seltzer, Institute for Metropolitan Studies, PSU
Ernie Platt, West Hills Development/ Home Builders Association
Beverly Froude, Citizen Involvement, Tigard Area
Duane Roberts, City of Tigard
Leah Halstead, Portland Development Commission
David Nebel, Oregon Law Center
Carl Talton, PGE
Tim Ramis, Specialized Housing Inc.
Rick Holt, Holt and Haugh, Inc.

H-TAC Members Present

Gail Brownmiller, City of Hillsboro
Tasha Harmon, Community Development Network

Main Themes:

- It's essential to have an overall vision and plan for the community or neighborhood, with affordable housing being a piece of that vision.
- Most of these strategies are going to be difficult to implement politically – another reason to build the vision of what the whole community is willing to support.
- Of all the strategies, the Long-term/Permanent category probably has the most chance of being "enforceable:" but there are some strong concerns as to whether and how it should be enforced.
- Participants had different perspectives about the advisability of mandating these approaches. Some participants feel the only effective strategies will be those that work with incentives and are voluntary. Other participants feel that those efforts are not addressing the current housing crises and so some mandated policies that address that need should be considered.

Long-term or Permanent Affordability

- These strategies are not enough alone; need to be part of a combination of strategies.
- Recommendations need to be for both low income and affordable home ownership.
- Look into options such as Community Land Trusts and Shared Equity Models.
- Do we need to challenge some basic assumptions? Are we investing in places as opposed to people? There are dangers in a model that can create pockets of isolation and stigmatization. Emphasize strategies that integrate all levels of affordability.
- There are programs that invest in people. Section 8 is one, providing rent subsidies. There are barriers however, including renters having a difficult time finding landlords who will rent to them and the funds are budget sensitive.
- Look to other communities to see ways they have successfully addressed the "social side" vs. the "bricks and sticks".
- Do we need to question the dynamics? What are we about? How do we create true permanence?
- There are big loopholes in feasibility of long-term affordability strategies. Projects are ready to go, just lacking funding. Public dollars are scarce. How broadly are we looking at public investment? Need to increase accessibility of resources.
- There needs to be investment in both people and places. There is a need for permanent housing options, not only strategies. There has been a lot learned about what works and what doesn't. Affordable housing is a starting place.
- Does this strategy actually require anyone to do anything? Does this increase development? There needs to be greater sources of funding.
- Metro could create a list of best practices.

Density Bonus

- Report says having mandatory density bonus not possible. Same point applies here as was made about Long-Term/Permanent categories: if the guidelines aren't mandatory, will they be effective? Great ideas here but need implementation.
- The concept here is great: but the actuality is under current operation in local jurisdictions there are minimum densities identified and these suggestions are not likely to be implemented.
- Key the amount of affordable housing in the proposal to the amount of the density bonus – for example, if 20% of the development is affordable housing, give comparable bonus for that.
- This is an attractive strategy – doesn't cost anything. But, politically difficult to implement: people are resistant to increasing density.
- I echo difficulty of implementation, as a neighborhood person.
- Simple economics: the developer is dealing with how to build something that is economically feasible. Currently, the low-density market is identified as the most cost-effective.

Replacement Housing

- Encourage looking at redistribution as well as replacement. Create communities with more mixed types of housing and create sustainability.
- Concern was expressed that a strategy the encouraged redistribution would disrupt lives of community members. When does disbursement become displacement?
- A question about the technical feasibility of tracking affordability: How do you define low-income/affordable. What does "private" affordable housing look like? Are we only looking at publicly funded housing. This makes it hard to define and assess.
- Does this only impact housing requiring a zoning change?
- Where is the broader picture addressed?
- What is the rationale for making the original owners of affordable housing responsible to provide it forever?
- This appears to create a burden for a single landowner. Can depress his property value. Does this put the responsibility in the wrong place?
- Strategies need to come from larger community vision. Focus on policy, vision.

Inclusionary Housing/Zoning

- Addressing A.3: as crafted in recommendation doesn't carry enough weight, but is the kernel of an intriguing idea. Special land-use need is most likely to drive amendment to the UGB; right now, that need is land-jobs-housing rather than affordable housing. Switch to an incentive approach, let developers do what they do best – compete with each other! Develop language in UGB amendment process giving advantage to developments that include affordable housing.
- Missing larger context – 15 years ago, development in NE Portland was intending to include jobs, business ownership, and housing. The housing came along pretty quickly but the other pieces didn't – and exacerbated gentrification issue. Nee to put in context of an economically viable community, part and parcel of this rather than treating affordable housing as its own universe.
- Several items here speak to reduction of cost, which the first focus group has already addressed so I won't repeat those comments here. (Idea of improving baseline of permitting process to reduce overall cost to everyone.)
- "Voluntary" and "by incentive" are the key element to success of this whole thing. Anything smacking of mandatory will sink it. It's Economics 101: if you make someone build and sell it for less than cost, you're driving up the price of all housing. Doesn't work.
- There's a giant loophole here: nothing speaks to permanency. What's to preclude a buyer from buying at a lower rate then turning around and selling at a higher rate? (Comment from HTAC committee: committee recognized that, and the recommendation is linked to permanency in the larger document.)

- Makes sense to have phased-in approach. Phase one is a program of incentives, voluntarily giving people a chance to "do the right thing." Then, if the desired result does not happen: kick in the mandatory regulations. It would be great to have this stuff happen voluntarily, but we have been talking about these issues for a long time and that is not happening – the stories are getting worse and worse of people not being able to afford housing. Set a time frame, just like any other public concern – if at some point it does not improve, set mandatory guidelines.
- Q: who needs to " do the right thing"? A: There are lots of players – developers, government, and community.
- Places that have done inclusionary zoning have aimed at people at 50-80% of median income. This is valuable because they move out and housing starts to become available. It will take huge incentives to get units for people at 0-30% of MHI; technically just not feasible.
- How to move to voluntary climate – the question becomes how do we get there? Projects like the Enterprise Zone have several million dollars on the table. We need to make sure we get our money's worth out of the project.
- Need to level the playing field. Developers work within a zoning program that segregates housing by income levels. The kernel is changing the way we do business in creating community. Work in chances for affordable housing – there are lots of small ways, carriage houses, apartments above garages. Set up a process so we can make providing affordable housing amenable rather than having to force it. The buildings need to be transparent – their use can change: planning makes different uses possible.
- The key point is, if local jurisdictions want this to happen, it will. If they don't, it won't. (Echoed by another participant.)

Transfer of Development Rights

- Good theory, but would need to have specifically identified sending and receiving areas. Need specifics to be able to judge how productive this recommendation is.
- Concern that this is limited in its effectiveness because of the limit of land availability. It is not market supported. Clark Co. did this and couldn't create the incentives.
- This seems more appropriate in central urban areas. This has been used successfully in Portland.
- Does this focus on regulation as opposed to incentive?
- There is a place for incentives. But seeing the need increase has left a feeling that they may not be enough. When do you need to put some "teeth" into it? At what point do you say incentives aren't working and we need to regulate to meet this social problem?
- Be aware that transferring rights, especially for facilities like SRO's can create less incentive for development of the area in other ways.

Housing for Seniors and the Disabled

- As a non-profit provider of low-income, special needs housing, we've been most effective by realizing the developers are our allies. Given the price of land today the only way to include affordable housing from the start is in new areas brought into the UGB. Emphasize re-writing the process for UGB amendments; create incentives for developing affordable housing because that would carry weight in achieving amendment.
- There are a wide array of people with disabilities, and varying neighborhood responses to them. Some populations, such as seniors, are going to be easier to address than others, such as psychiatric.

Developing Regional Database

- Reason for developing this database not clearly enough outlined in this proposal. Need to first identify what the problem is you are trying to solve, and who is trying to solve it. (This isn't identified in the proposal.) If some of the entities don't want to solve the problem, collecting the data isn't going to be useful – it would be better to stay at the first stage of trying to build agreement on what people or entities are willing to be held accountable for.

- Need to look at what it will take to gather this data, and how long. My fear is it will happen once and then never be updated. Right now I am collecting similar data for a much smaller area than that identified here, and it is difficult to get and will be very difficult to keep updated.

Comments on Overall Package

- I'd recommend re-organizing the document around two major sets of questions I see running throughout it. The first set is a) what's the cost of housing to different households and b) what can we do to stabilize or bring the cost of housing down. The second set is what is the distribution of housing. If you want affordable housing everywhere, say so, but be specific about what strategies will work where. Some strategies will work in the inner city but not in outlying areas.
- In terms of enforceability – you need to identify what kind of guidelines or expectations communities in this region are willing to be held accountable for and start there.
- How can the average citizen find out about what's going on in this area and get involved? Most of the strategies identified here look top down. I don't see a lot of place for neighborhood involvement, and that is the arena these strategies are ultimately going to affect.
- Document talks about responsibility of community to provide affordable housing but there is no language about the responsibility of affordable housing to the community. Need to discuss it as a mutual support system, not one way. Identify ways affordable housing will support the rest of the community. (HTAC member commented this was true, committee recognized this needed to be addressed in document.)
- Support first suggestion about re-organizing document around two major sets of questions. Define in very broad umbrella strokes what we are trying to accomplish. What can we accomplish with what we currently have without creating something new.
- How to bring land into the equation, if we are not willing to accept that the cost of land dictates how it will be used. The community needs to address that. Needs to be fair: most people will say I'm willing to do it if everyone else will, too. The owner of new land will not want to bear the cost. Fair share, not targeted.
- Of the strategies identified here, the most effective if mandated would be the Permanent Affordable Housing Regulatory tool (because there is a legal framework for it) and the UGC considerations. Another issue, not addressed here, that needs to be considered is the Real Estate Transfer Tax – discussion about this has to begin. The real beneficiaries are people who have owned land over the past decade.
- I agree that the Long-Term, Permanent Affordable Housing strategies would be the most effective if one had to be mandated. Important to find some kind of stable funding source for affordable housing.
- Replacement housing issue: I see both sides. Approach needs to be fair, measured and useful – not set as an absolute requirement.
- Long-term permanent housing most significant strategy, if a little more difficult to mandate. The 0-50% of MHI is where the crisis is, needs priority, but also want to see wider array of incomes and types of housing (ownership) supported.
- Support any strategies that reduce costs to non-profit agencies, especially those operating in suburban areas.
- Echo what's been said. Technically, about half of these strategies are feasible. Politically, probably the only one that's feasible is the one people have mentioned, the Long-Term Permanent. Others may be feasible in some areas, but some communities will say "over my dead body."
- How to get citizens interested, help neighborhood residents become aware of discussion and how it can affect them? A: Metro has model for outreach around this issue, HTAC members are willing, happy to present it.
- Planning Commission perspective: the purpose or need identified is permanent, the place isn't. Once you put "forever" limitations on property, it becomes very difficult for the community to work with it.

Regional Funding Focus Group

March 17, 2000

Participants

Gregg Kantor, NW Natural
Judy Rau, Metropolitan Broad Base Org. Comm.
Carol W. Cole, City of Gresham
Don Neureuther, Neighborhood Partnership Fund
Leeanne MacColl, League of Women Voters of the Columbia River Region
Brent Warren, Key Bank
Brian Stewart, Washington Mutual
Traci Manning, Central City Concern
Steve Sprecher, United Methodist Church/Zimmerman Community Center
Dick Anderson, Fannie Mae
Jeff Salvon, City of Beaverton
Jim Zehren, Stoel Rives/MPAC
Sue Krake, Fannie Mae
Clyde Doctor, City Club of Portland
Monika Elgert, Enterprise Foundation

H-TAC Members Present

- Erik Sten, Portland City Commissioner

Main Themes

- The most important thing to look at is supporting people, with things like rent subsidies vs. providing space.
- Affordable housing funding efforts have to be strategically leveraged and applied to accomplish the overall strategy for growth in the region.
- Focus on incentives to bring broader participation.
- Be sure that strategies are consistent with and supportive of regional planning and policy.
- Create partnerships to leverage dollars.

Section A. Maximum Existing Resources

A1. Training Program

- Goal is to help the region increase expertise in accessing existing money for affordable housing. Some jurisdictions have more expertise than others.
- Consider economies of scale. Would creating a core-centralized resource of expertise be more cost effective? Keeps more money available for actual housing programs. Do an annual training? Look at a "regional swat team" approach. Use folks with proven track record of success of securing funding.
- Benefit of increasing capacity of expertise in communities is that it is then a more permanent resource to the community.
- Fair share is the wrong idea. Better to allow each jurisdiction to take responsibility for balance in growth.
- This training seems to be aimed toward government. Is it also for non-profits?
- Concern that an annual one-day training is not enough. Too much information at once does not create expertise.
- Re: The web site; The Enterprise Foundation has an extensive site, would this be a duplication of efforts? Might want to add to the existing site.
- National Foundations are currently supportive of regional approach and collaboration in seeking funding.
- Need to look at how jurisdictions are defined. Is it governmental? Do Non-profit CDC areas of service determine it?

- RE: regional "swat team" idea. Sounds efficient, and may be, but politically we do need buy-in by the local community, and paperwork that represents local focus and buy-in. Otherwise, if we're going for centralized application efforts wouldn't we just have the funding agencies do most of the paperwork and/or streamline processes?

A2. Consistent Consolidated Plans
A3. Allocation of HOME Funds

- Suggestion was that these two items could be looked at together. Some linkage is already beginning. This is the year that the consolidated plan was due. Next one, in five years, could be much more coordinated.
- Good suggestion. Seems effective.
- Rep. Hooley has earmarked funds to start a regional housing fund and HUD is supportive.

A4. Promote Changes with HUD

- Federal policy is moving toward an approach that involves consolidation in planning at a regional level. If that's one of our goals, list it here and let the Feds know it's one of our goals.
- Q: Does this mean we are pooling grant money or just pooling plans? A: The current proposal is to pool 10% of the grant money. Pooling more of the money is likely to be controversial with elected officials.
- Moving from a project based to a tenant based strategy would require a lot of pressure on HUD.
- Housing Authority of Portland has authority to do some section 8 housing that is project based rather than tenant based. HTAC should check this out – not sure how much it is currently being used, and we should maximize what we can currently do.
- As part of doing the City Club report on this issue, we only recently realized that building buildings doesn't solve the problem – in fact, rents in subsidized buildings can turn out to be not much different than rents in market rate buildings. The assumption we had that someone who moved into a public development would pay less didn't turn out to be true. The HTAC report does not identify the scope of the problem and make a compelling case for addressing it. After reading it, I'm not sure what to do, what course of action it recommends.
- The most important thing to look at is supporting people's rent vs. providing space. The dollar amount identified in this report doesn't go anywhere near toward meeting the need of paying people's rent vs. providing buildings.

A5. Enterprise Foundation Regional Acquisition Fund

- **Q:** How would this work? Would the region pinpoint a need, identify a piece of land and then propose to Enterprise? A: Right now, any jurisdiction can approach Enterprise, but there needs to be a signatory authority to guarantee the money will be paid back – signatory not yet identified, but we are working to get that in place.
- This strategy would help because if you go to the bank and already own the land, it gives you leverage to get a loan.
- Q: Can non-profits participate in this? Or will it just set up more competition for available land than already exists? A: Jurisdictions will make the approach, and will most likely parcel out the actual land for developments to non-profits and for profit developers. The Enterprise Fund language encourages nonprofits but does not preclude a for profit development from being considered.
- $20 million will not buy a whole lot of land.
- Q: Is there a means test for who can participate in this fund? Do jurisdictions have to prove they don't have the money for the purchase? A: Don't think so.
- This could be a very important strategy for outlying suburbs where the property values are going way up.

- Q: Is there anything we should do locally or regionally to maximize our ability to use existing programs like Federal income tax credits? A: Right now use of this is pretty much maxed out, locally. Could encourage legislative support for bill to increase amount states receive.
- Has HTAC considered how similar projects have worked in other places – there was a $30 million land bank set up in Minnesota to address many of the same issues.

Section B: New Funding Source for Housing

B1. Employee Sponsored Housing

- This is a very healthy approach – affordable housing is only one part of the problem of poverty. Strategies like this are one way to address the needs of people who have borderline incomes, and also helps to stabilize neighborhoods.
- Some employers do offer some kind of subsidy, but it's often paying part of the loan fees, and usually is directed at relocating higher salaried employees. Not a comprehensive approach.
- This is a bottom line issue for business. It's a good piece to have in here, but only with the understanding that businesses are often thinking in their own silo, and you have to offer them some incentives to promote this. For instance, set up a loan fund if they match it, tie it to property tax discounts they may be requesting – link those to their making a down payment available for employees at a lower salary scale.
- Q: Has HTAC talked to CEO's of companies about this? There are a number of ways this could benefit them – reducing travel time for employees, reducing traffic, transportation costs. There's also an advantage to getting the CEO's in a room together so there is some incentive to match each other in "doing the right thing." A: HTAC has not done major outreach. It's probably going to take getting a CEO to take the lead in promoting this.
- It could also be helpful to start making public presentations, educating about these issues at the City Club, Chamber of Commerce arenas.
- I think you're really swimming upstream with this strategy. Every employer is struggling to deal with the cost of providing health care, which is skyrocketing, and perceived as a basic benefit. Also, you're dealing in an economic setting where productivity, the bottom line, revenue, the pressure of the global economy are all squashing the chance to think creatively. Money is going to attract and retain highly skilled employees at high salaries. Maybe there is a fundamentally different way of looking at this: how can companies afford to pay employees a living wage that will allow them to find housing? There are not many strategies identified here that address both those issues.
- As we bring employers in, we need a discussion of a living wage.
- I'd suggest re-structuring and re-wording this section: right now it would be seen by the private sector as a "hold-up." Money is going into a regional fund administered by bureaucrats. It would be more appealing for employers to keep an approach where their money is going directly to their own employees. Show them how they could re-allocate money they are already spending and get a better workforce.
- Comment: HTAC made a decision early on that it could not take on the overall economic issues involved in housing. We need to make sure the report states explicitly what we decided had to be beyond the scope of this strategy: for instance, we can't solve the job problem, but it certainly affects the housing situation.
- Take out language describing "B1 A: Regional Fund." Employers are likely to react to that as something that could potentially be mandated, and it could taint their willingness to consider the more self-directed possibilities identified as Employer Based.
- The strategy identified in B1 might link to B3, the Housing Linkage Fee, with B1 being more voluntary and B3 more mandatory. SDCs need to be designed so we're not pushing jobs out of the metro region where we want them.

- Consider using mechanisms already in place, such as employers letting employees borrow on 401(k) funds for a down payment. Those funds are already in place and people are using them creatively.
- Language of report where it describes income needs clarification. The report points out that over the last 10 years, wages have increased 40%, housing costs have increased 100% and rents have increased 30%. Some readers may look at that and think, “So, there’s no problem with rents.” But actually, the report should describe what’s happening with people in the 0-30% MHI, because that’s where the rents are unreachable.
- Any regional pool established should include non-profit providers.
- “Personal Investment Account” (proposed by Beverly Stein) as a new source of regional fund, where employers put money into an account that is used for various purposes (that may include housing.) Contact Bev’s office for more info.

B2. Real Estate Transfer Tax

- Political support has been bipartisan in the past. Bankers are interested if it is going for affordable housing. Home Builders have shown interest. Realtors are not currently interested. Legislature may be swayed if these three groups would support.
- Sounds like a winner if the math works out.
- Need to look at three areas: Very low income rentals, first time homebuyers and SDC relief. (Do you limit SDC’s to those with an affordability component?)
- Risky to depend on long-term support from Federal government, regional approach is more dependable and makes sense.
- Explore regional income tax and tax increment funding IF it is a dedicated fund.
- Prior experience with housing trust funds illuminates the need to use fund to leverage partnerships to create a greater impact.
- If funds were dedicated would be more feasible politically. Should include provision that any increase would require a vote to pass.
- Emphasis is shifted from need to production. We need to stay focused on the need.
- Oregon Bankers Association Community Involvement Committee has endorsed a nominal RETT. More specifics are needed to strengthen support. Need to look at factors such as exemptions and amounts.
- Need more clarity about administrative strategy.
- Another example of the need for the funds to be dedicated is that there is already a county in Oregon with an RETT, which has not been a “stellar performer” in the housing arena. The expectation cannot be that this will be effective for affordable housing if not dedicated.
- This is politically more feasible to “person on the street” than other taxes such as sales tax and increase in income tax.
- The elimination of the capital gains tax theoretically puts more money in folk’s pockets.
- Would like to see breakdown of allocation of funds. How much to 0-30%? 31-50%?
- The terms “excluding” and “exempting” are both used in the document. Are they different? And if so, how are they different?
- Politically more acceptable to average person than bond issue or regional income tax.
- Provided it is dedicated, and limited to no increases unless voters approve
- Would sell now in growing real estate market as a relatively painless way to help people get into housing, a value most people support

B3. Housing Linkage Fees:

- I don’t agree with the premise – the kind of economic development we are seeing doesn’t necessarily result in a large number of lower-income jobs.
- If someone is creating lots of low-wage jobs, it ought to be linked; otherwise, you’re providing a disincentive for higher wage jobs in the metro area.

- Real growth management issues, especially in the central city. It's contrary to people developing in places we want them to go.
- I understand this idea was brought in late in the process, and so there's a lot of political groundwork that hasn't been done. It may be worth going ahead with – but it will take a tremendous amount of work to do that political groundwork in support of this.
- I think it damages the chances of the Real Estate Transfer Tax by attaching it in this report. It makes a fairly moderate approach (the RETT) look Draconian in combination.
- The nexus would have to be really clear.
- This strategy is pretty politically unpalatable.
- When we were doing the City Club interviews, builders spent a lot of time attacking inclusionary zoning, which is what this sounds like. They were more willing to entertain the idea of something like RETT, but were adamant in opposing inclusionary zoning.
- Don't take it out of the report because it is like we're favoring making friends only with the homebuilders. Both RETT and the linkage fee should stay in the report but emphasize RETT.

B4. Use and Administration of New Regional Housing Fund

- It needs to be more clearly stated that use of this money has to be consistent within the regional growth scheme.
- Don't want to use money that it's taken a huge effort to obtain to be used to develop housing where we don't want people to be.
- Q: What does "permanently" mean in this context? 60 years? 20 years?
- Again, encourage thinking about funding rent support rather than projects. I question whether projects built with tax credits, etc. produce buildings more cheaply than those built by a private developer – so are we really saving money?
- Have to take into account neighborhood opposition to these projects. The report identifies a need for 40,000 units, then immediately cuts that to 20,000 that may be produced. Judging by current local resistance to such projects, it's unlikely that 6 projects of 150 units could be produced in a year. Time to think of new strategies, such as putting money toward rents. There's also a tremendous opportunity to work with smaller scale and more creative design to develop housing more acceptable to neighborhoods. But you still have the problem: once you build it, who can afford to live in it?
- Target the money to where the greatest need is. There are lots of public subsidies to people at 50-60% MHI – this does equate to market-rate rents. If you create this kind of pool – it will need lots of public input as to how money is spent. Also, guidelines for leveraging money and making sure it gets to the need.
- The need at the 0-30% income level is high because those have to be built with virtually no loan. Could build for the 50-60% level, and then create rent assistance pool. Buildings that are accessible to seniors and people who are disabled are expensive, but that is where the need is.
- It's absolutely crucial that the intent that these strategies provide permanent affordability be clearly stated in the RETT and also in the other strategies.

What's Missing?

- It all takes groundwork. Explore rent assistance. Needs to be long-term (20 years rather than 2 years.) The state has recently targeted some new money for those in the 0-30% MHI category, but only for 2 years, which means most lenders are (understandably) reluctant to lend. It's a beginning, though.
- Big numbers are sometimes scary – but capital is there if you know where to look for it. The question is how to pay for it, how to handle the debt service and interest. Most of these strategies address capital – there may be some ways to work within the political structure to generate ways to support these other costs.
- Raise incomes or lower costs. Keep in mind what costs are there – every time we put in a new fee, or permit, it raises the cost of housing.

- I'm a proponent of mixed-use housing, but it does cost more – structurally, and for issues like parking. Anything we can do to address these corollary issues - move people out of cars, locate by mass transit - will lower the overall cost.
- Services and education are part of housing – bricks and mortar are only a temporary fix. Support system of financial education, responsibilities people are getting into also needs to be in place.
- Median cost of a home is $160,000. People forget that means there are properties selling below and above that figure. As a lender, we see people able to find a house for lower than that median figure – need to educate people that there are still those possibilities out there; more accessibility than you might imagine.
- The notion of a "fair share" allocation of affordable housing is the wrong concept to be espousing and pursuing. It conveys the idea that local communities somehow should find a way to "accept" from the region their allocated shares of something undesirable that they otherwise would not want. That's backwards. Each local community should want affordable housing within its jurisdiction for its own good, so that it can be a fully functioning, complete, livable community within our region. Otherwise, certain people who work in the community or otherwise participate in the life of the community will not be able to live there, and will need to travel into the community each day. Early on during MPAC's discussions of allocation of future population and employment growth across the region, MPAC members, Metro Councilors, and Metro staff all talked in terms of each community's "fair share" of the anticipated growth. But at a retreat one day we figured out that the idea of a "fair share" of future growth was not the right concept, because it had the connotation of local jurisdictions grudgingly accepting from the region their shares of something undesirable. So we stopped using the phrase. And as a result the regional dialogue on the involved issues dramatically changed for the better. The same could and should happen regarding allocation of affordable housing. Making this conceptual change could be a watershed event.

3. Community Roundtable Discussion Summaries

Metro held four Community Roundtable Discussions around the region. Citizens, faith-based organization, and neighborhood leaders were invited, and notices were placed in community newsletters. Anne Rutherford and Judith Mowry of Full Circle Consulting facilitated the meetings.

Clackamas County

North Clackamas Aquatic Park
April 11, 2000

Approximately 12 citizens attended

General Comment:

- Make sure that it is clear that the statistics in the slide show are specific to the Metro region.

Land Use and Regulatory Tools

- Are we heading towards something like the Bay Area with huge apartment complexes created through tools like a density bonus?
- What about the loss of land due to the impact of the 4(d) rules. How does this impact the availability of land for housing and affordable housing?
- What about the impact of Clark County on the regional housing supply?
- What about the lack of land for industry in Clackamas County?
- There is a perception that the residents of affordable housing will bring the neighborhoods down, what are you doing about this?
- Many people are living in "artificially" affordable housing – if they lose their job then they will lose their home within months.
- Oftentimes bad management is the cause of bad apartment buildings.
- I'm happy to see that ownership options are included in the strategies – owners tend to take better care of their homes.
- Ownership also helps families to build equity.
- What about site development issues? A site could be a brownfield or have other constraints, and this then increases the cost of developing. It isn't easy to put affordable housing in these places.
- When I see the word "units" I think rental units (especially in the context of a density bonus). Why only offer rental options – why not provide a lease to own option?
- Developers are not able to build entry level housing because the permit and development fees have gone up so high lately. The cities make it impossible.
- What benefit are you giving to a developer to maintain long term affordability? A reduced interest rate, etc.
- I'd like to tell a story: I've been seeing a family of four living in a van. They would like to have a home, but the husband makes $6/hour and the wife $5.50, and they cannot even afford a place to rent. That's why a community land trust makes so much sense, to get these people into homes that they can afford.
- There may be problems in identifying areas to develop within neighborhoods above stores – in Clackamas County people are not willing to accept that kind of density.
- How can you guarantee that the management will be kept up over time? You have the opportunity to put in guidelines for management at this time, this should be strongly encouraged.
- I want to see that options are available. There should be the opportunity to have units over stores, the best way to create a community is to have homeownership options as well. There is not one program that will work everywhere. The biggest problem will be the turf issue, the jurisdictions that do not want any affordable housing.

- People who rent are not as invested in their community or their homes.
- But some renters are very involved in their neighborhood associations and take good care of their homes. Not everyone is in a position to own a home or even wants to. The option to rent should be available.
- Children going to school are going to have a much better chance of getting an education if their parents own their home.

Cost Reduction/Regional Funding

- I've never seen development pay for itself, if the fees are reduced for affordable housing then other development will be impacted by higher fees. Unless the money will come from someplace else.
- We have a fiscal responsibility to our ratepayers to not increase their rates to help someone else. This sounds like a good idea.
- Clackamas County is still smarting from the cost of Altamont.
- Many of these strategies look good, and the RETT looks like a very good tool to provide money for housing in the region.
- If you don't include language in the proposal that the tax will not be raised without a vote, then it will never be passed.
- When people balk at new taxes it is because they are afraid it will go sky high later on. But if the proposal is structured well then you might have a chance of it passing.
- I'm the president of the board of some apartments. Some people just do not want to own, they don't want the responsibility. Somebody should teach these people the benefits of homeownership. I've never understood how the US Government can take huge amounts of money to bomb Serbia but they can't fix something here that costs only $50,000.
- Have you looked at any other options for regional funding than a RETT?
- If you use proper zoning, which has never been done in this area, you are going to have to have a way to enforce a requirement that local jurisdictions look at their comprehensive plans. Many communities have not update their comp plans for over ten years, and they will not do it unless they have to. You will have to have some method of enforcement.
- Can you use any incentives to get jurisdictions to do this? Metro seems to have more money than other local governments.
- The housing policies should be looked at in connection with transportation policies. They are interconnected.

City of Portland

King Elementary School Cafeteria
April 12, 2000

Approximately 30 citizens attended

Questions asked by participants:

- How does HTAC project the need for affordable housing?
- What are examples of shared-equity, land-trust models: how do they work?
- How is it ensured that tax abatement or other programs that help people develop or own affordable housing stay affordable (not sold and make a profit)?
- Is HTAC basing its work on models used in other parts of the country? What are examples of these kinds of approaches and how they have worked?

Comments:

- An issue with identifying buildings as long-term affordable housing is that buildings have life-spans: make sure means, funds are in place to maintain and rehabilitate these buildings so people don't end up living in fire-traps.
- It's always more effective to use preservation and conservation than to start from scratch.
- Support for creative, innovative ways of approaching this issue – such as special partnerships, smaller models of community created housing.
- Get property owners, architects together to develop "proto-type housing," for example through an AIA-sponsored competition. Other comment: this has been done in NE Portland, project was highly successful (award-winning) both in housing built and in relationships established with architects.
- Don't assume that building housing by jobs will ensure that the housing will be used by the people employed there.
- Important that any tax-abatement programs ensure that the owner continue to make that housing available as affordable.
- Need different tools and treatment to achieve long-term housing for renters vs. homeowners, but addressing needs of both is important.
- It's essential to look at this issue holistically – issues of jobs and transportation all affect housing.
- Need to focus on funding people's needs vs. funding "bricks & sticks." As a social service provider, I see lots of people who just need some emergency funds to tide them over so they don't lose current housing. Need to fund this, other needs that will prevent eviction.
- Want to make sure other technical committees working in this area are coordinating with this Metro effort.
- Need to look at current "mixed-use" neighborhood like NE Portland, and how to keep it mixed-use: rather than building "new mixed-use" that will end up seeing same problems of pressure of gentrification and displacement of long-term residents.
- The fragmentation of funding sources (small pots of money) makes it especially hard for smaller programs to pull together funding resources.
- What's the status of the real estate transfer tax? Does this have a political chance?
- It's essential to identify abandoned houses in neighborhoods and pull them into the plan for rehabilitation, provision of new housing. There are a lot of properties in NE that have been vacant for a long time and it seems the city is doing nothing to address this.
- Government needs to quit micro-managing and adding regulations that increase expense for building.
- Make a criteria of addressing people's need for safe, affordable housing efficiently – get rid of regulations that increase the cost of building.
- There's a major lack of land affecting ability to provide housing. Need to partner with land owners, and coordinate affordable housing efforts with public policy decisions that are intended to maintain livability.
- Inclusionary housing & zoning:
  - Not financially feasible for private developer to take on, especially to reach the MHI under 50%
  - Some cash support has to be in place to make these deals work
  - It's important to target government funding most effectively here in partnering with private developers.
- Need to connect housing with other issues – schools, social concerns
- Make housing that is built energy efficient – help residents, and the public save costs in the future.
- Look at increasing land for affordable housing – growth could create density, city we don't like.

Washington County

Beaverton City Hall

April 18, 2000

Approximately 35 citizens attended

Questions asked by participants:

- How is HTAC projecting the need for affordable housing? Does it include current need? (Several questions on this.)
- How is it ensured that tax abatement or other programs that help people develop or own affordable housing stay affordable (not sold and make a profit)?
- Is HTAC basing its work on models used in other parts of the country? What are examples of these kinds of approaches and how they have worked?
- How has reduction in HUD funding (Sec. 8 housing) affected this region's need for affordable housing? What's the method going to be for determining RETT?
- Why is Metro considering a real estate transfer tax?
- Did HTAC discuss how to disperse these strategies geographically?
- Have churches been involved in this planning effort?

Comments:

- Approaches need to be voluntary rather than mandatory.
- Some of our transportation problems are caused by jobs that don't pay a living wage, where workers can't afford to work and live in the same community.
- Encouraging employers to address the housing needs of their workforce.
- Important to explain methodology Metro used to forecast need for housing simply, so people walk away with an idea of how you have come up with what you are trying to address.
- Important to include meeting the housing needs of special-needs groups, such as mentally disabled or elderly.
- Is Metro truly committed to this program, these approaches – because it has created a huge problem in squeezing the land supply. I would hope Metro would figure out a way to provide more land so that developers can afford to build more affordable housing.
- Metro has done a crummy job of identifying areas for the urban reserves – for example, St. Mary's, located across town from most jobs. Would hope future reserves would include consideration of impact on transportation and other goals.
- The strategy for replacement housing addressed as approach #3 under Land Use – is that intended to address the needs of people in NE and SE Portland who are being displaced because of gentrification?
- How will this replacement housing work? Will a property owner be responsible for finding more affordable housing if he or she is displacing it?
- As a builder of single-family, small mobile units, I want to bring out government's role in the cost of housing. Land cost is a factor, but the stupidity of government regulation is right behind it. Reduce housing costs by reducing redundant and ill-considered regulations. Streamline the variance process and reduce and standardize the time it takes to process plans.
- If a variance is required, make the magnitude of the change being asked for reflected in the time and effort to get it changed.
- The government is an easy target for developers – with any supplier, you may be faced with delays. (Response: yes, but with private suppliers you have other choices – not so with government.)
- Metro is fortunate to haves some control over purse strings. Crucial to direct existing funds to the greatest need – people at less than 50% of the MHI.
- The Tri-County Builders' Advisory Board is also taking a look at a methodology to justify permit fees.
- Has Metro reviewed the effect of changing the zoning and putting in the West End MAX line on density, affordable housing? My impression is that people left because it interfered with getting a

direct bus route downtown. Important to review the effect of changes already made before implementing strategies to make yet more changes.
- It's important to direct efforts at strategies that will help stabilize communities through home ownership, rather than creating high-turnover rental units.
- Want to focus on strategies that support long-term affordability.
- We need an innovative combination of strategies that look at long-term affordability and sustaining the kind of community we want.
- As a CBO, even though we are facing the same shortage of land in developing our projects, I would hate to see the UGB relaxed. Instead, it's an opportunity to do some real community planning and look at solutions within that boundary. May initially be harder, but will result in the kind of future situation we want to see. Don't just jump to the conclusion that "we just need more land."
- I'm concerned that property be kept affordable – if a home owner buys and then upgrades, something needs to be in place that the property or the profit from the property gets put back into affordable housing for somebody else.
- Speculation in real estate is really what is making homes unaffordable and driving people out of home ownership. We need solutions like land banks, limited equity community corporations to get land out of the speculative market and keep affording housing in the community sustainable over time.
- Terribly important to deal with the market for people at less than 50% of the MHI. Not only those at 40-50%, but all the way to zero. Metro should use its resources for people who are at the lowest economic level and highest level of need.
- Thanks to HTAC for taking on this complicated, critical issue and sticking with it.
- Need to give some thought to a PR campaign for these strategies. How will it be marketed to the public, especially those areas with active neighborhood associations who are vigilant about neighborhood change?
- Seeing the four human faces, actual situations in the Metro slide show really humanizes the issues, make it much easier to identify with and care about.
- Use examples of other community planning models – those that have worked well and even those that have been disastrous. Give examples of what to do AND what NOT to do.

East Multnomah County

Gresham City Hall
April 26, 2000

Approximately 40 citizens attended

Questions asked by participants:

- How has HTAC arrived at its projection of need for affordable housing? Does it include the amount that currently exists in each local area? Specifically, did Metro include information gathered through Gresham's recent local survey?
- What is the split between rental and homeowner housing in the need for housing projected?
- What communities presently use long-term affordability strategies, and how is it different from rent control?

Comments:

- Speaking as chair of a local neighborhood association, we are very concerned that we are becoming predominately a rental community – we want to keep a balance of home ownership.
- Very concerned we consider the needs of the largest single minority population, which will be growing over the next 20 years – seniors and the disabled. This need has been overlooked – the system to deal with it is in a shambles.

- There are lots of HUD rental apartments – why doesn't' HUD sell these to renters as condominiums. This would get HUD out of the rental business and promote affordable home ownership.
- As a realtor, I want to make it clear that we oppose a RETT. It's a niche tax. Our association is investigating alternatives to a RETT because we oppose it, but recognize there is a need for funding. There is a perception that METRO concentrates on providing rentals rather than home ownership when it addresses the need for housing.
- I support re-introducing the concept of extended families as a way of addressing the need for housing.
- There is a need, but we have huge, monolithic apartment houses around here that could turn into ghettoes. We need to meld people into the neighborhood. What's going to happen when builders "hit and run" – erect these huge barracks and then they deteriorate?
- Need to look at "affordable" as meaning can we afford to live in something that undermines our way of life? What we do here will have a ripple effect for the future. I believe we need more innovation to solve this problem. We should find out what people's current need is and design smaller units to specifically meet those needs.
- I'm concerned about the density bonus and SDC strategies outlined by Metro. Gresham already has more density than our infrastructure can handle – roads, water, sewer. To increase the density but decrease the charges to pay for increasing the infrastructure would be disastrous.
- Does HTAC support the abolishment of the Urban Growth Boundary? I'm concerned that the UGB is an unfair governmental infringement on people's rights.
- There is a real link between economic development and housing.
- HTAC needs to take into account affordable housing that already exists – some communities have done more already to meet this need than others.
- I recommend an educational campaign for the public on this issue. I hear a lot of mis-statements and mis-understanding of the issue here. We need to realize that the people who are eligible for public housing are children, people like us, not just "slackers." It's not government infringement to give people a place to live that meets their hopes and dreams.
- There needs to be more attention and awareness of what's needed to make an apartment accessible. Some of it is very small – roll-in showers, wide enough doorways. Any apartment owner could have an accessible apartment if they were built that way to start with.
- Need to look at ways to adapt currently available housing and apartments for accessibility rather than "ghettoizing."
- The problem with apartments that seem affordable is that many real estate management companies require renters' incomes to be three times the rent. Work with management companies to make exceptions for people on a fixed income.
- We need to help elderly people who own their own homes but can't pay to fix them up, maintain them.
- How are churches and civic organizations being tapped into? I'd love to get people on a tour of the neighborhood, look at the "eyesores" and be motivated to do something.
- I strongly support affordable housing for the elderly and disabled. But I also strongly want Metro to consider balance – to not overwhelm any one community with a particular type of housing. Communities need to be diverse. Gresham has not done a good job of holding this boundary.
- Housing for the elderly and disabled does need to be dispersed among the community. I'm leaning toward inclusionary housing as a strategy to do this.
- One thing that is not addressed here – is a way to match people to an appropriate rent. Not have people who can afford to pay more displacing people who can't.
- Consider long-term owners who are taxed out of their homes. This impacts the community and the amount of bond measures, etc. it can support.
- Do not ghettoize!
- Increase living wage jobs – increase training and skills of labor pool.
- Explore financing models for home ownership, such as 40-year loans.
- Maximize choice for home ownership.

- Encourage employers to invest in training.
- Concentrate on permanent affordability and replacement housing – these are good strategies and mean you don't have to re-do something you've done once.
- Emphasize shared equity.
- Gresham has enough affordable housing.
- Gresham's numbers have been skewed by growth since the statistics Metro relied on to project need. We insist that there be a re-assessment of actual local need to make it more reflective of current conditions.
- What's unaccounted for in those numbers is the working poor, and especially people of color. The Hispanic community is a strong, positive presence in the Gresham area whose needs are not being addressed. Prejudice is an issue in the availability of housing. As a person of color, I have been told lower-cost rental units advertised are not available.
- Look at the long-term impacts of housing design, and address the issue of maintaining housing over the long-term.
- Focus on more integrated approaches to meeting the need.
- Include what is already there.
- Make sure the result is a livable community for everyone.

4. Additional Round Table Comments - Questionnaire

Land Use Strategies

a) Do these strategies make sense?

Long-term or Permanent Affordability

- Retention of subsidy only way to fight gentrification
- Short-term or medium-term make more sense.
- Long toward "public"/"tribe" ownership/stewardship of land and structures.
- No. Let it go. They can pay taxes – homeowners.
- This strategy makes a lot of sense to ensure a supply of affordable housing while protecting the investment of public money.
- Site development issues for infill development is landlocked parcels.

Density Bonus

- Can raise neighborhood ire when used in SFR neighborhood, Good in RI, RH, CM zones. R2?
- Needs more explanation
- Can this strategy bye faulted if the wishes of any given neighborhood to retain its present density were (and could be) ignored by development money. Especially in my experience SE Portland.
- Yes. Balance is good.
- Good idea – needs to be marketed, promoted carefully to reduce negative public reaction.
- Consider the "granny flat" model as opposed to just a cookie cutter, monolithic development.

Replacement Housing

- each jurisdiction should have strong policy/ordinances.
- Might be ok but need more input. Am not in favor of concentrating low cost housing.
- As mentioned in the discussion, this takes away from the concept of utilizing and preserving existing stock.
- Hard to implement? But definitely necessary.
- Seems reasonable in theory. The challenge in tax abatement areas with "A" overlay zones is infill that is redevelopment which changes the character from SF homes to attached homes of 2+ stories.

Inclusionary Housing and urban growth boundary considerations

- If we make it voluntary, hopefully, the political will to make it mandatory will follow.
- Illegal! Must be a reason for being illegal.
- Strong belief in integration of income levels. Especially as it affects public schools.
- Voluntary with positive incentives. No Mandatory.
- Need to be mandatory (when that become legal) and region-wide to be effective.

Transfer of Development Rights

- good, how often used? How do we facilitate use?
- No! Underminds the zoning codes.
- I am wondering who, in terms of wealth and clout, are making these decisions. Is the process as it works now or is envisioned open and democratic and not "bought"?
- No. This runs counter to the market and will create dilapidated buildings.
- Not clear why this would work better than greenspace or environmentally sensitive zones in urban areas. This sounds more rural-based.

Elderly and People with Disabilities Housing

- We definitely need regional goals and funding strategies.
- Don't believe the stat's on elderly. Disabled are another area.
- Please value elderly and disabled as being dispersed among neighborhoods and never again ________________.
- Yes. But let's try to mainstream.
- Needs to be addressed. We need to make sure there is a healthy supply of rental properties.
- Special needs housing requires a special focus and funding however a spectrum of options is still appropriate.

Regional Housing Resource/Database

- GIS power between jurisdictions is largely untapped. Should have GIS standing committee with members from all jurisdictions.
- Sounds ok, need more information.
- It makes sense that Metro as the most encompassing entity would establish itself as the central source.[1]
- No, No. No. Sounds like a cost with little real benefit to actual homes.
- Excellent.
- Seems like fulfillment of Metro's mission.

b) Which of these strategies would be most effective locally?

- Density bonus, transfer development rights, permanent affordability
- 4 and 6.
- Replacement Housing. Voluntary Inclusionary Zoning.
- Permanent affordability.
- What is the hold up on creating community land ________________ for Multnomah and Washington Counties?

c) Which would be most effective region-wide?

- Replacement housing, inclusionary zoning, elderly and people with disabilities
- 1, 4, 5 if monitored 6 and 7.

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[1] How much money is going toward concurrent and duplicate studies and deliberations which the gentleman from Ecumenical Ministries was pleading for?

- Replacement housing.
- Inclusionary zoning, replacement housing, density bonus

Cost Reduction Strategies:

- There is no free lunch – development ______________________________- livability as well as financial impacts on the community.

a) Do these strategies make sense?

System Development Charges

- Yes
- Should be maintained. Necessary items.
- I don't feel I have enough understanding of the finances to comment on these three.
- No. This transfers cost of affordable housing to new residents only. Instead, all should share in the cost.
- Relief in these areas needs to be connected to permanent affordability.
- Someone has to pay the cost of development _____ been split by homeowners, tax payers (often the same), developers, etc.

Permit Fees

- Yes
- Should be maintained if reasonable. Keeps contractors honest.
- I don't feel I have enough understanding of the finances to comment on these three.
- Worth looking into.

Property Tax Exemption

- Yes, tied to occupancy
- Should be used on a limited basis.
- I don't feel I have enough understanding of the finances to comment on these three.
- No. Keep taxes consistent. This adds stigma to neighborhoods.
- Useful in certain situations.

Local Government and State Coordination

- We need regional comprehensive plans
- _____________ too complicated.
- Again, as in 7 Regional Housing Resource/Database it makes sense to assign to Metro with a veto by any objecting jurisdiction.
- Big no. Sounds like more pointless meetings. Different governments will remain different.

Land cost and availability

- Local jurisdictions should be more proactive.
- Complicated area. No easy answer.
- I question the assumption o land "ownership" and am in favor of public and private donation into the public domain permanently.
- Good idea. Like Metro Greenspaces. Donation is a practical tax write off.
- Regionwide strategies like inclusionary zoning can reduce land speculation.

Off-site improvements

- Affordable housing infrastructure support is needed.
- Ok
- At this point I am wondering about a "regional growth map" such as the UGB concept to put in place how, what and where public facilities and services will exist.

- Ok, but not regional funding source. Sounds like a new tax.

Local Regulatory Constraints
- Key area for Metro and functional plan.
- Needs explaining.
- Again, Metro --- regional guidelines. I am a firm believer in the application of economics of scale.
- That's a developer's job. No regional guideline.

State Regulatory Constraints
- Needs explaining
- In line with discussion: need a code for rehabilitating/preserving existing stock.
- e.g, Building Code Requirements – That's their job already. They can figure out a way to work harder.

Parking
- We need more shared commercial/residential parking solutions.
- Needs addressing – Metro's standards have dropped from a two-car parking to one!
- Only comment: never had a drivers license or owned a car.
- No. Keep plenty of parking. The lenders are right.
- High density housing along transit doesn't need as much parking.

b) Which of these strategies would be most effective locally?
- Off-site improvements.
- 5
- Reduce permit costs.
- The trick is to balance cost ______ and _____ for structuring development to prevent overloading any one sector of support.

c) Which would be most effective region-wide?
- We need state best practices awards with monetary incentives.
- 4, 5, 7, 8
- Land bank and donations.

Regional Funding Strategies

a) Do these strategies make sense?
Maximize Existing Resources
- Yes, we should have Regional Housing Fund – leverage foundation money with best practices and long-term affordability strategy.
- 1 and 2 ok 3 don't know anything about.
- if you institute a training program consider the entrenchment of existing practices.
- Yes. Federal funds could be used much better. How about a public assessment of resources.
- Good idea – but they are limited.

Employer Sponsored Housing
- need regional task force
- If does not apply to very small employers.
- Yes! Would encourage "complete" neighborhoods and have a positive effect on public schools.
- Could work.

- First time homebuyer programs/down payment assistance can help a great deal.

Real Estate Transfer Tax
- Yes – build regional support
- Ok as long as control is local only.
- Yes.
- No, No, No, No, No,……………………..
- This could be incredibly effective and makes a lot of sense!!
- Set limits, be prepared to trade off the tax for a percent of existing taxes. The net may remain _________________ will be _______________ in different places.

b) Which of these strategies would be most effective?
- RETT
- Real Estate Tax
- Employer sponsored housing.
- Better use of current funds. Do you know the total dollar amount? No? Bad sign.
- RETT

In reference to all of the above strategies:

a) Are there other strategies that should be considered?
- More homeownership rather than rentals. Give apartment buildings to the tenants.
- Land speculation taxes
- **L**ease option for renters ___________ to member jurisdictions to set housing ________________ within their transportation framework.

In reference to Affordable Housing Goals:

a) Can cities and counties achieve affordable housing goals with these strategies?
- We need more funds and greater political will to accomplish housing goals.
- Would help but not the entire answer but not sure we need the entire answer.
- Definitely move toward these goals and educate public as to necessities.
- They are a positive factor. Also needed: job training, education, child care.
- With a great deal of education and commitment – I hope so!
- Since costs may very by municipality, guidelines for policies and procedures maybe the most reasonable approach (the market guarantees nothing).

5. Public Hearing Record

MINUTES OF PUBLIC HEARING
OF THE
METRO AFFORDABLE HOUSING TECHNICAL ADVISORY COMMITTEE

Thursday, May 11, 2000
Council Chamber

Members Present: Diane Linn (Chair), David Bell and Tasha Harmon

Diane Linn, Chair of the Metro Affordable Housing Technical Advisory Committee (H-TAC) and a Multnomah County Commissioner, called the meeting to order at 5:10 p.m.

Tasha Harmon, a member of H-TAC and Chair of H-TAC Fair Share Subcommittee, and a representative of Residents of Affordable Housing, and a member of the Community Development Network.

David Bell, a member of H-TAC and Chair of the H-TAC Cost Reduction Subcommittee, and a representative of for-profit housing developer.

Opening of Public Hearing

Chair Linn said the Draft Regional affordable Housing Strategy (RAHS) contained the names of all the members of H-TAC. She encouraged the audience to examine the H-TAC membership and composition of the committee, and the process they undertook during the past approximately 20 months to create the report. (A copy of the report was included in the record, #01.) It was still in draft form because the committee wanted to receive feedback from the public before it was finalized. The document contained the composition of the committee, the process and the principles upon which H-TAC based their report. The committee separated the report into four areas. They looked at the question of what they used to call "fair share." Now, they were discussing production goals for each of the jurisdictions within the Metro area. They examined the cost reduction piece that Mr. Bell and his subcommittee assumed to ensure that funding was spent efficiently and effectively. The committee also examined the regional regulatory environment H-TAC was operating within, including barriers that created higher home building costs. Plus, the committee analyzed a regional funding strategy that would ultimately produce more housing units, which was H-TAC's primary mission. All the committee members acknowledged the need for affordable housing in the region. The committee also believed it would be very important to aggressively gain units of housing to provide people of all backgrounds throughout the region with housing choices and include them in the communities. She welcomed Andy Cotugno, Metro Growth Management Services Department Director, who planned to help H-TAC implement the plan in the future, if it was accepted.

William Ashworth, 2147 NE Montgomery Street, Hillsboro, OR 97124, represented Oregon Realty. He referred to the bottom chart on page 23 of the RAHS that described subsidies, and the discussion and comparison of costs, and the amount of home units that could be produced based on a certain amount of funding. He questioned where HTAC got the differences in utilities. He questioned the $40 a month figure for utilities for a two-bedroom rental unit. The monthly telephone bill alone was $22.

Mr. Bell said the rental utilities figures were recorded from HUD (Federal Housing and Urban Development Department) median income charts. He was not sure what HUD's methodology was. They had utilities allowances for different types of housing, household sizes and income levels.

Mr. Ashworth asked if the figures were U.S. averages as opposed to regional averages.

Mr. Bell said no, HUD calculated each region separately and recalculated the numbers at least annually.

Mr. Ashworth said it seemed awkward because there was no renter's insurance on one side, which had a cost. On the other side, there was no mortgage insurance for single family units, which was virtually a certainty today in the mortgage industry. He was concerned H-TAC was making a decision regarding those 90,000 units based on data that was not complete. He was also concerned that the data provided targets that were either not realistic, or under- or over-qualified. He did not object to the numbers. He said the data H-TAC was working with, in that particular respect, was not accurate.

Chair Linn said the committee would consider Mr. Ashworth's feedback on that issue.

Gerry Uba, Program Supervisor, Growth Management Services Department, said the information was compiled by the Oregon Housing and Community Development Services Department. It was a study that illustrated what was happening in the region as an average. There was a local, not just a national, base to the study.

Ms. Harmon assumed the utilities did not include telephone service. The utilities were considered to be electricity, gas, etc. That could explain part of the issue.

Mr. Ashworth said he had lived in a one-bedroom apartment and his utilities were $85. He also referred to Table 6 on page 21 of RAHS that described a multi-family dwelling. He said the table was obviously incorrect.

Mr. Uba said the table was based on a study performed for the Portland area.

Mr. Ashworth referred to the multi-family dwelling range per cost of unit of $68,000 to $88,000 and below it was $95 to $98 per square foot. It could not be correct and had to be an error.

Mr. Uba said the figure was not an error. It was correct and based on a study. He offered to provide Mr. Ashworth a copy of the study, which was available at Metro.

Mr. Ashworth said the figures seemed very confusing.

Mr. Uba said the study was sponsored by the City of Portland, but managed by the Portland Housing Development Center.

Mr. Ashworth said he had knowledge of the housing industry and did not understand how anyone could build housing for $69 per square foot in the Northwest. He did not know of any house or even condominium built at that price. He had difficulty accepting the numbers, but he did not question the principles involved. Funding for 90,000 units, when there was actually a need for 70,000 or 110,000 units would result in a severe under- or over-funding problem.

Ms. Harmon said part of what the Housing Development Center was doing was examining the entire continuum of housing development methods the non-profit sector used. Habitat for Humanity could construct housing for much less because they used huge amounts of volunteer labor. Though they could not produce nearly the volume other builders could, their per square foot costs were much lower. That might explain some of the issue.

Mr. Ashworth asked if that was a valid assumption regarding the context of funding private housing.

Chair Linn said the committee should confirm the figures the study was based upon and that the calculations were correct.

Mr. Ashworth asked Ms. Harmon if most of the figures were based on non-profit.

Ms. Harmon said not most of them. But what they tried to do was examine the full spectrum of housing that was built in the city, which included some of the non-profit projects with a much lower cost per square foot because of the labor methodologies they used.

Mr. Ashworth said one of the comparisons he used for his clients, which included first-time and entry level buyers, was cost per square foot. Unless the housing was rehabilitated, he knew of very little housing that had been constructed for under $100 to $110 per square foot. He said he had clients waiting for such housing. Most housing that cost less than that figure were either distressed or damaged property, and were not ready to be inhabited. He was concerned the basis for the committee's recommendations was incomplete and not realistic.

Chair Linn promised H-TAC would verify the figures. The ranges were fairly extraordinary. They included 90,000 units during a 5-year period and a production goal that was only 10 percent of the regional need for affordable housing. If the range was a lot less or a lot more, H-TAC still was not anywhere near meeting that need. She asked Mr. Ashworth to consider that as a factor.

Mr. Ashworth asked, in the context of the study, if H-TAC ever defined what affordable housing was, in terms of square footage not dollars. What was the committee saying affordable housing was, in terms of square footage; amenities; location to services, transportation and employment; etc. The industry built by square footage and knew what its square footage costs were for different types of housing (residential, condominium, common wall, etc.). However, nowhere in the RAHS or discussion had he understood what were the acceptable minimum affordable housing standards for square footage. He knew what the acceptable costs were, because H-TAC clearly defined them. For example, many small towns in New England had a 900 square foot minimum standard for construction of affordable housing, which defined and limited housing options.

Ms. Harmon said she did not recall that H-TAC attempted to establish minimum square foot standards for various types of housing. Instead, they decided the local jurisdictions could decide that for themselves. She referred to the green handout and said the committee discussed the importance of connecting the affordable housing to livability issues (including access to transportation, services, greenspaces, etc.). (A copy of the green document was included in the record, #02.) The H-TAC maintained throughout, that they wanted to build complete communities, not ghettos or exclusive communities with no access for poor people. She hoped that focus was reflected in the document. That was why the committee encouraged feedback from the public, regarding how citizens interpreted the document. Then H-TAC could make necessary changes to properly address the issues and concerns.

Mr. Ashworth said his questions had been answered. From an industry standpoint and as the head of his company, Oregon Realty, he strongly objected to the real estate transfer tax. It was characterized as not regressive, but the last _ percent was often the difference between buying a home and staying in a rental property. Especially at the lower entry levels, it was awkward to make the move because it often required every dollar. The tax helped explain why so many properties were for sale by the owner. People often could not pay a commission or the other expenses to achieve a transfer of property. Oregon property owners already had a large burden. To add another, even a one-time tax, was unfair and irrational. If housing was an issue for the Oregon community, than the community should assume the costs, not just those who sold the property.

Mr. Ashworth also expressed concern that there were issues that Metro did not address, that included linkage to transportation, and some of HTAC's choices not to recommend were erroneous. All the work on housing would be wasted or very ineffective if the committee did not establish links to transportation and employment. For example, the community had to provide the flexibility and mobility for people to work downtown yet live in Forest Grove or other parts of the Metro region economically, or they would not make the move because of transportation costs.

Mr. Ashworth said they would have to factor transportation, as well as tax, costs involved with moving into their decision. He also mentioned concern regarding possible lack accessibility to amenities (schools, health care, commercial centers, etc.). Without those things, affordable housing would become ghettos. He had seen it create an immobile class of the working poor and professionals. He mentioned cities in New England. They were forced to stay where they were. Physical mobility is what would allow people to improve their lives.

Jane Leo, 5100 SW Macadam, Suite #360, Portland, OR 97201, represented the Portland Metropolitan Association of Realtors as the Governmental Affairs Director. She complemented H-TAC for their work. She agreed with the need to create homes for residents of the Portland region. She mentioned the committee David chaired that examined regulatory costs, building codes and barriers to financing that increased the costs of buying a home. However, she was disappointed the RAHS was not an inclusive document. It addressed only the needs of residents earning less than 50 percent of median household income. It placed the emphasis on the creation and maintenance of affordable <u>rental</u> units. It did not address opportunities for families and individuals to move from a rental to home ownership, which would create equity and stability in the community and improve voter turnout. She sited the Harvard studies to support her claim. The document also did not address the long-term need for housing in the region or include a long-term focus, other than maintaining <u>rental</u> housing.

Ms. Leo proposed an amendment to increase access to all mechanisms to create home ownership opportunities for people in the region. She referred to page 58 of the RAHS, the Regional Funding Strategies. She said she would probably have a few others later in the process. She referred to letter C, Coordinate and Improve Federal Programs. (A copy of the document was included in the record, #01.) There was a lot the Congressional Delegation could accomplish. She referred to HUD's FHA program. A lack of access to home loans for renters created a cycle that prevented people in the region from buying homes.

Ms. Leo also said the real estate transfer tax was currently under a permanent prohibition in Oregon. The realtor's association was successful in passing that legislation in 1999. They would continue to actively oppose a sales tax on the transfer of real property. They would also not support a real estate transfer tax of any amount.

Louis Hall, 1515 SW 12th Ave, Apt. #314, Portland, OR 97201, represented Elders in Action and said the Metro Chamber was "elder unfriendly" and violated the ADA (Americans with Disabilities Act). He had brought the issue to Metro's attention before and was referred to ADA specialists, but the problem had not been corrected. He hoped to see those changes completed the next time he visited Metro. He was a resident of low-income housing and enjoyed the location of his downtown studio apartment and its proximity to cultural amenities. He referred to page 32 of the RAHS, and said he liked the example of regional inclusionary housing programs in California. (A copy of the document was included in the record, #01.) He did not know much about the logistics of that program, but said it could provide a great model for the Portland region. He also asked if HTAC planned to be phased out.

Chair Linn said H-TAC planned to complete their work on preparation of the report and the recommendations for Metro. However, H-TAC planned to continue to monitor implementation of the report.

Mr. Hall encouraged continuation of the process because H-TAC was an important, essential element that represented low-income housing consumers.

David Cottennare, 2041 NW Everett, Portland, OR 97209, represented Elders in Action as a commission board member and the Housing Task Force. Affordable, accessible housing had been an important priority for many years and was crucial today. As the senior population increased, their income decreased and the cost of housing increased. If he did not have access to subsidized housing, he would be homeless like many other people. His income was only $715. He could not live in many of Portland's current low-income housing complexes that charged rents of $300 to $500 a month. He asked the committee to please adopt a strong regional affordable housing strategy because it was important to the more than 215,000 seniors who lived in the Metro area.

Ann Johnson, 2041 NW Everett, Apt. #805, Portland, OR 97209, also represented Elders in Action as a commission board member and the Housing Task Force for the past five years. She was a senior living in low-income subsidized housing. Her income was $540 a month for rent, telephone, cable and all her other expenses. Without subsidized housing she would also be homeless. She would not be able to afford an apartment in the modern rental market. She asked the committee to keep up the good work, because she was on their side and would help H-TAC any way she could.

Vicki Hersen, 501 SW Washington St., Portland, OR 97229, represented Elders in Action and said the group had an active Housing Task Force for several years. It was one of the group's highest priorities for affordable and accessible housing. She thanked H-TAC for their work and complimented the process in which her group was involved. Affordable housing was a very important issue in the Metro area. Elders in Action's Aging Services were working more with the tri-county area in special needs transportation. It was important to have living choices. As the population aged, especially with the baby boom generation, the community started to plan ahead to ensure affordable housing choices that would allow a senior to continue to live where they are most comfortable. She appreciated the hard work of the committee and said it would be critical to preserve affordable housing choices. She mentioned the need for subsidies, building code requirements, public land grants and trusts, public and private partnerships (for example, Intel), and other creative strategies. She hoped the Metro Council would consider affordable housing in the region a top priority and allow H-TAC to continue, because the work had just begun. There was still a lot to be done. Because of the boom economy and the need for workers, people should be able to live near their workplace.

Ms. Hersen said the mobile/manufactured home issue, particularly in terms of predatory lending and rental practices, was a critical issue to address. Many seniors thought this was an affordable housing choice when, in some cases, it was not. She mentioned community land trusts, purchased and operated by non-profit organizations to lower rental rates, as a possible solution. She urged Metro to continue HTAC's work. It was vitally important to seniors, families and others in the region in need of affordable housing choices.

Eulia Quau Mishima, 840 NW 6th, Gresham, OR 97030, said she was not prepared for making comments today because she had not received the document discussed today by the committee. She has had repeated problems opening attached documents sent to her by Metro via e-mail and Metro's Internet web site.

Mr. Bell said he has had the same problems. The Metro documents were created in Microsoft Word. If she did not have that program, she could not access them by computer e-mail.

Ms. Mishima attended Metro's Community Round Table Discussion on H-TAC work in Gresham a few weeks ago. In May 1996, she met with Susan McLain, Metro Councilor, because she was very interested in encouraging innovative development of small, livable spaces. Big livable spaces could also be improved, but were not currently the region's main focus. She submitted a recommendation to H-TAC entitled *A Sustainable Future Continuing with the Creative Approach for the 2040 Vision* that she created with assistance from an architect. (A copy of the document was included in the record, #03.) It was not written to address affordable housing as it was described in the materials the public had received. However, there were many ideas in her document that she thought could help address the increasing population and need for affordable housing for certain segments of the regional population. Depending on circumstances, anyone could find himself or herself in need of affordable housing. She offered to provide some examples. She had confidence that Metro, HTAC and the region could meet the challenge, and create and finance a viable solution. She suggested the committee might benefit from reviewing her submitted recommendation. There were possibly more than a thousand vacant public buildings and properties that had not been used, without any plans to be used in the future, that might be used for affordable housing.

Chair Linn asked if Ms. Mishima referred to tax foreclosed properties or public buildings that were no longer used.

Ms. Mishima said she referred to publicly owned buildings that the community's taxes had purchased in the past.

Chair Linn asked if that included empty school buildings.

Ms. Mishima said it could include any publicly owned building. She offered to research that issue for H-TAC.

Chair Linn said her agency, Multnomah County, operated a tax foreclosed property program that assessed different available properties. Then, through a competitive process, provided those properties to the community development corporations for development as affordable housing. The county was currently trying to use some of their public property in new ways. Therefore, she was interested in the issue. Multnomah County also examined their unused school facilities and how to generate resources with that property. She was not sure there was that much property available and there were fewer obvious opportunities. However, she wanted to discuss and examine the issue with Ms. Mishima further later.

Chair Linn said Mr. Charles Shi, who represented Elders in Action, was in attendance and in support of H-TAC.

Ms. Harmon thanked everyone for scheduling time to attend today's H-TAC meeting. The deadline for written comments was not until the end of next week. The committee welcomed more detailed written comments if the public wanted to provide them.

Chair Linn said H-TAC planned to begin reviewing those written comments from the public on May 19, 2000. The last H-TAC meeting was scheduled for May 22, 2000, and planned to finalize their report then. The preliminary report would be subject to the Metro approval process.

ADJOURN

There being no further committee business, **Chair Linn** adjourned the meeting at 6:20 p.m.

Respectfully submitted,

Gerry Uba
Metro Growth Management Services Department

Attachments to the Record

Affordable Housing Technical Advisory Committee Public Hearing of May 11, 2000

Doc. No.	Document Title	To/From
#01 – H-TAC Public Hearing	Discussion Draft 1- Regional Affordable Housing Strategy	*Citizens/H-TAC*
#02 – H-TAC Public Hearing	Proposed Changes to the RAHS (green sheet presented to MPAC)	*Citizens/H-TAC*
#03 – H-TAC Public Hearing	A Sustainable Future Continuing with the Creative Approach for the 2040 Vision	*H-TAC/ Eulia Quau Mishima*

What is affordable housing in the Metro region?

Regional Median Household Income for 1999 = $52,400 (4 Person Household)

Percent of Median Household income	Annual Income 1 Person – 4 People	Affordable Monthly Rent or Mortgage	Occupation Type
<30%	<$11,000 (1 Person HH)	$275 (1 Person HH*)	• _ time fast food worker • Child monitor • Service station attendant
	<$15,700 (4 Person HH)	$392 (4 Person HH)	• Full time preschool or special ed. Teacher or janitor, or laborer with 3 children
50%	$18,350 (1 Person HH)	$459 (1 Person HH)	• Full time data enterer • Home health or nurse's aide • Hairdresser • Receptionist • Forest conservation worker
	$26,200 (4 Person HH)	$655 (4 Person HH)	• Full time dental assistant, pharmacy assistant with 3 children • Fast food worker and a service station attendant with 2 children
80%	$29,350 (1 Person HH)	$734 (1 Person HH)	• Full time broadcast technician • Computer operator • Emergency Medical Technician • Licensed practical nurse • Truck driver
	$41,900 (4 Person HH)	$1,048 (4 Person HH)	• Full time registered nurse or social worker with 3 children • Teacher's aide and bank teller with 2 children
100%	$36,700 (1 Person HH)	$917 (1 Person HH)	• Full time computer programmer • Corrections officer • Carpenter
	$52,400 (4 Person HH)	$1,309 (4 Person HH)	• Full time electrical engineer or health services manager with 3 children • Dental assistant and a maintenance worker with 2 children

Source: City of Portland Bureau of Housing and Community Development, Community Development Network, Metro, 1999.
*HH = Household/s

I:\gm\long_range_planning\projects\Housing\OUTREACH\HH income & Occupations.doc

Metro Regional Affordable Housing Tools Survey Report

METRO

February, 2000

Metro Regional Government

Metro Executive Officer
Mike Burton

Metro Auditor
Alexis Dow

Metro Councilors
Presiding Officer, District 6 – Rod Monroe
Deputy Presiding Officer, District 4 - Susan McLain
District 1 – Rod Park
District 2 – Bill Atherton
District 3 - Jon Kvistad
District 5 - Ed Washington
District 7 – David Bragdon

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Project Staff
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Malu Wilkinson, Associate Planner
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Andy Cotugno, Director
Mark Turpel, Manager – Long Range Planning
Sonny Conder, Principal Regional Planner
Sherry Oeser, Manager-Public Involvement
Sherrie Blackledge, Administrative Assistant

Contact Information
For information regarding the Metro Housing Program, call Gerry Uba at 797-1737. You can reach him by email at ubag@metro.dst.or.us

Purpose

The Metro Affordable Housing Technical Advisory Committee (H-TAC) is working to create a *Regional Affordable Housing Strategy Plan.* To better evaluate the possible tools and strategies, it is important to consider and recognize what local jurisdictions are already using to encourage the development of affordable housing. This survey, which was sent to the 24 cities and 3 counties within Metro's jurisdiction, provides a background on tools currently in use by local governments. The survey was sent out in September, 1999 and responses were accepted until February, 2000. Eighteen jurisdictions responded, a 67 percent response rate.

Results

- Three types of tools, land use and regulatory, cost reduction, and funding are in place to assist jurisdictions in maintaining and building affordable housing.
- Accessory dwelling unit is the most utilized affordable housing tool. Accessory dwelling units are required by Metro. Programs for Seniors and Disabled housing and Community Development Block Grant (CDBG) Funds dedicated to housing is the second most utilized housing tools; all cities have access to CDBG funds.(See Table 1)
- The City of Portland utilizes the most affordable housing tools. (See Table 2)
- Clackamas County utilizes the second most affordable housing tools. (See Table 2)
- Gresham, Hillsboro and Clackamas County noted they utilize Home Investment Partnerships Program (HOME) funds; however, not all jurisdictions have access to HOME funds. (See Table 2)
- None of the jurisdictions utilize mandatory inclusionary zoning. Mandatory inclusionary zoning is currently illegal because of HB2658 (passed by the Oregon Legislature in summer 1999). (See Table 2)

Table 1. Tools used by one or more jurisdictions:

Tools	Number of Jurisdictions
Land Use	
Accessory Dwelling Unit	14
Density Transfer	4
Density Bonus for Affordable Housing	3
No Net Loss Provisions for Housing	3
Increased Density in Transit Corridors	2
Replacement Housing Ordinance	2
Conversion of Rental to Owner Occupied Unit	2
Requirements for the Relocation of Mobile Home Parks	2
Linkage Programs	1
Incentive Based Inclusionary Zoning	1
Cost Reduction	
Programs for Seniors and Disabled	7
Land Banking	3
Long-term or Permanent Affordability Requirements	3
Property Tax Abatement for Housing	3
System Development Charges Abatements for Affordable Housing	3
Tax Foreclosed Properties Donated for Affordable Housing	3
Building and Land Use Fee Waivers	2
Funding	
CDBG Funds Dedicated to Housing	7
General Funds Dedicated Specifically to Housing	3
Other Financial Incentives	3

Other Findings

Answers to Question #1: Which programs or tools have been successful in the development of affordable housing?

- **Beaverton:** Partnership/TVHP for multi-family rental rehab.
- **Gresham:** HOME and CDBG funds/ Transit-oriented tax abatement/ SIP agreement made funds available in housing/ Tax-foreclosed properties make properties available countywide.
- **Hillsboro:** The City of Hillsboro has participated extensively with Washington County in their CDBG and HOME programs and did not have a separate program. In 2000, Hillsboro will be an entitlement city and is exploring various options to encourage affordable housing.
- **Lake Oswego:** The special use housing provisions and the City zoning code provide opportunities for housing provision for low and moderate income

households. However, these provisions have not been used by developers in the past years.

- **Portland:** The tools which provide financial assistance are most effective. Regulatory tools are useful in making projects more feasible and support innovative projects, but direct or indirect (e.g., property tax exemption) funding upfront or ongoing produces tangible results. Technical assistance in a variety of forms (from free zoning verifications for grant applicants to formal partnerships) are also successful.
- **Tualatin:** Multifamily zoning as a tool has been successful because many apartments have been built in the multifamily zones.
- **Clackamas County:** HOME Funds/ Low income housing tax credit program
- **Washington County:** Land banking- acquisition/ allowing calendidation (?) of payment in lieu of taxes (PILOT) payments according to HUD's public housing formula for properties which County Housing Authority is general (??).

Answers To Question #2: Which programs or tools have not been successful in encouraging the development of affordable housing?

- **Portland:** Strictly regulatory tools have proved less effective in themselves, but have with other types of assistance made projects more feasible.
- **Clackamas County:** Density bonus provisions/ Mobile home park relocations/ replacement zoning provisions/ accessory dwelling units- "the jury is out" not many requested and no useful data on affordability.

Answers To Question #3: Why?(this question is an expansion of Question #2)

No jurisdictions answered this question.

Conclusions

With the exception of Portland, very few jurisdictions use more than one or two affordable housing tools. Tools that are mandated by Metro, namely accessory dwelling units, are used twice as often as tools not mandated by Metro.

Table 2. Regional Affordable Housing Tools Survey

Local Government Implementation *Affordable Housing Tool*	**Beaverton**	**Cornelius**	**Durham**	**Fairview**	**Forest Grove**	**Gladstone**	**Gresham**	**Happy Valley**	**Hillsboro**	**Johnson City**	**King City**	**Lake Oswego**	**Maywood Park**	**Milwaukie**	**Oregon City**	**Portland**	**Rivergrove**	**Sherwood**	**Tigard**	**Troutdale**	**Tualatin**	**West Linn**	**Wilsonville**	**Wood Village**	**Clackamas County**	**Multnomah County**	**Washington County**
Accessory Dwelling Unit *How long in existence? (in years)*	Y *1*		Y *0*		Y *8*	N	Y *4*	Y *12*	Y *3*			Y *18*		Y *1*	N	Y *18*		N	Y *1*	N	Y *1*		Y *4*		Y *5*		Y *2*
Conversion of Rental to Owner Occupied Unit *How long in existence?*	N		N		N	N	Y *10*	N	N			N		N	N	Y *20*		N	N	N	N		N		N		N
Density Bonus for Affordable Housing *How long in existence?*	N		Y		N	N	N	N	N			N		N	N	N		N	N	N	N		Y *5*		Y *15*		N
Density Transfer *How long in existence?*	N		N		N	N	N	N	N			N		N	N	Y *10*		Y *10*	Y *10*	N	N		Y *5*		N		N
Mandatory Inclusionary Zoning *How long in existence?*	N		N		N	N	N	N	N			N		N	N	N		N	N	N	N		N		N		N
Incentive Based Inclusionary Zoning *How long in existence?*	N		N		N	N	N	N	N			N		N	N	Y *24*		N	N	N	N		N		N		N
Land Banking (Acquisition) *How long in existence?*	N		N		N	N	N	N	N			N		N	N	Y *30*		N	N	N	N		N		Y *3*		Y *9*
Increased Density in Transit Corridors *How long in existence?*	N		N		N	N	N	N	Y *3*			N		N	N	Y *3*		N	N	N	N		N		N		N
Replacement Housing Ordinance *How long in existence?*	N		N		N	N	N	N	N			N		N	N	Y *15*		N	N	N	N		N		Y *6*		N
Linkage Programs *How long in existence?*	N		N		N	N	Y *4*	N	N			N		N	N	N		N	N	N	N		N		N		N
Long-term or Permanent Affordability Requirements *How long in existence?*	N		N		N	N	Y *2*	N	N			N		N	N	Y *2*		N	N	N	N		N		N		Y *7*
Air Rights Opportunities *How long in existence?*	N		N		N	N	N	N	N			N		Y *1*	N	Y *10*		N	N	N	N		N		N		N
Programs for Seniors & Disabled *How long in existence?*	N		N		N	N	*S* *D* *4*	N	#			S *18*		N	#	S D *20*		#	S *12*	N	N		S D *20*		*S* *D* *20*		S D *12*

	Beaverton	Cornelius	Durham	Fairview	Forest Grove	Gladstone	Gresham	Happy Valley	Hillsboro	Johnson City	King City	Lake Oswego	Maywood Park	Milwaukie	Oregon City	Portland	Rivergrove	Sherwood	Tigard	Troutdale	Tualatin	West Linn	Wilsonville	Wood Village	Clackamas County	Multnomah County	Washington County
Building and Land Use Fee Waivers *How long in existence?*	N		N		N	N	#	N	#			#		R *?*	#	R w *10*		#	N	N	N		#		N		#
Property Tax Abatement for Housing *How long in existence?*	N		N		N	N	Y *1*	N	N			N		N	N	Y *25*		N	N	N	N		N		Y *20*		N
System Development Charges Abatements for Affordable Housing *How long in existence?*	N		N		N	N	#	N	d *5*			R		N	#	R W *3*		#	N	N	N		#		N		#
General Funds Dedicated Specifically to Housing *How long in existence?*	Y *1*		N		N	N	N	N	N			#		N	N	Y *5*		N	N	N	N		N		Y *8*		N
CDBG Funds Dedicated to Housing *How long in existence?*	Y *6*		N		N	Y	Y *7*	N	Y			N		N	N	Y *25*		N	N	N	N		#		Y *21*		Y *19*
Tax Foreclosed Properties Donated for Affordable Housing *How long in existence?*	N		N		N	N	Y *?*	N	N			N		N	N	Y *10*		N	N	N	N		N		Y *8*		N
No Net Loss Provisions for Housing (provisions to retain existing ration of housing stock, if residential units are removed additional housing must be developed elsewhere*)* *How long in existence?*	N		N		N	N	N	N	N			N		Y *1*	N	Y *10*		N	N	N	N		N		Y *2*		N
Requirements for the Relocation of Mobile Home Parks *How long in existence?*	N		N		N	N	N	N	N			N		Y *?*	N	N		N	N	N	N		#		Y *6*		N
Other Regulatory Incentives Name of Program*1 *How long in existence?*	N		N		N	#	N	N	N			#		N	N	Y*		N	N	N	N		N		#		N
Other Financial Incentives Name of Program*2 *How long in existence?*	N		N		N	#	Y *5*	#	N			#		N	N	Y		N	N	N	N		N		#		Y *3*
Other*3	N		N		N	#	#	#	#			#		N	N	Y		#	N	N	N		#		#		#

Y = Yes
N = No
D = Disabled
S = Senior

R = Reduced
d = Deferred
W = Waived
# = did not answer

*1 **Portland:** Manufactured Housing in Single Family Zones/ Liberalized substandard residential lot regulations/ alternative development options in single family zones/ attached housing/ cluster development and PUDs/ duplex conversion of existing SFR in R2.5 zone/ duplexes and rowhouses on corners in single family zones/ higher density on transitional lots/ zero lot line development/ amenity bonuses in R3, R2, and R1 zones/ minimum density requirements in multi-family zones/ SRO housing as permitted structure type in R1, RH and RX zones/ minimum density requirements in single family land divisions/ required residential development areas in the Central City/ R2.5 attached single family housing (rowhouse) zone

***2 Portland:** Active use of federal and state funding opportunities (e.g., HOME, tax credits, Oregon Housing Fund, etc.) for deferred payment repair loans; below market repair loans, senior home repair, sewer hook-up loans, home security loans, Portland Housing Center, downpayment assistance, investor rehab loans, SRO maintenance (Note: not all programs currently active)/ Use of tax increment financing dedicated for housing development/ use of leveraged private sector funds and ongoing partnerships on specific projects both for-profit and non-profit development (including Housing Authority), such as Rosemont property, 60th and Glisan and many more/ Use of local bonding authority for development loans/ General fund assistance for Multnomah County homeless program

Gresham: HOME funds for housing

Washington County: PILOT

METRO

REGIONAL AFFORDABLE HOUSING TOOLS SURVEY

Affordable Housing Tool	Does your jurisdiction use this tool?	How long has the program been in existence?
Accessory Dwelling Unit	❏ Yes ❏ No	# of Years: ______________
Conversion of Rental to Owner Occupied Unit *(restrictions on converting rental units to owner occupied units)*	❏ Yes ❏ No	# of Years: ______________
Density Bonus for Affordable Housing	❏ Yes ❏ No	# of Years: ______________
Density Transfer *(allowing a transfer of housing units from one property to another with the inclusion of affordable units)*	❏ Yes ❏ No	# of Years: ______________
Mandatory Inclusionary Zoning *(setting aside a percent of units in a market rate housing development for low income households)*	❏ Yes ❏ No	# of Years: ______________
Incentive Based Inclusionary Zoning	❏ Yes ❏ No	# of Years: ______________
Land Banking (Acquisition)	❏ Yes ❏ No	# of Years: ______________
Increased Density in Transit Corridors *(allowing additional density in transit corridors with the inclusion of affordable units)*	❏ Yes ❏ No	# of Years: ______________
Replacement Housing Ordinance *(requiring the replacement of affordable units that are either converted to market rate or destroyed)*	❏ Yes ❏ No	# of Years: ______________
Linkage Programs *(requiring commercial, retail or industrial development to provide either actual units or funds for housing in relation to a resulting increase in jobs)*	❏ Yes ❏ No	# of Years: ______________
Long-term or Permanent Affordability Requirements	❏ Yes ❏ No	# of Years: ______________
Air Rights Opportunities *(facilitating the development of affordable housing in the unused air space above existing uses)*	❏ Yes ❏ No	# of Years: ______________
Programs for Seniors & Disabled Housing	❏ Seniors ❏ Disabled	# of Years: ______________
Building & Land Use Fee Waivers	❏ Reduced ❏ Deferred ❏ Waived	# of Years: ______________
Property Tax Abatement for Housing	❏ Yes ❏ No	# of Years: ______________
System Development Charges Abatements for Affordable Housing	❏ Reduced ❏ Deferred ❏ Waived	# of Years: ______________
General Funds Dedicated Specifically to Housing	❏ Yes ❏ No	# of Years: ______________
CDBG Funds Dedicated to Housing	❏ Yes ❏ No	# of Years: ______________
Tax Foreclosed Properties Donated for Affordable Housing	❏ Yes ❏ No	# of Years: ______________
No Net Loss Provisions for Housing *(provisions to retain the existing ratio of housing stock, if residential units are removed additional housing must be developed elsewhere)*	❏ Yes ❏ No	# of Years: ______________
Requirements for the Relocation of Mobile Home Parks	❏ Yes ❏ No	# of Years: ______________
Other Regulatory Incentives *Name of Program:**	❏ Yes ❏ No	# of Years: ______________
Other Financial Incentives *Name of Program:**	❏ Yes ❏ No	# of Years: ______________
Other: ________________________________	❏ Yes ❏ No	# of Years: ______________

***Please describe on an additional page.**

-- OVER --

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AFFORDABLE HOUSING TOOLS SURVEY
(PAGE 2)

Additional Questions

Which programs or tools have been successful in encouraging the development of affordable housing?

____

____

____

____

Which programs or tools have not been successful in encouraging the development of affordable housing?

____

____

____

____

Why? *(Please enclose a copy of the enabling ordinance of particularly successful programs or tools.)*

____

____

____

____

Other Information

Name: ____

Title: ____

Jurisdiction: ____

Phone: ____________________

If you have any questions, please call Malu Wilkinson at (503) 797-1680. *Please fax completed survey form to Metro at 797-1911 by September 24, 1999.*

Thank you for your help!

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF ACCEPTING THE REGIONAL AFFORDABLE HOUSING STRATEGY RECOMMENDED BY THE AFFORDABLE HOUSING TECHNICAL ADVISORY COMMITTEE APPOINTED BY THE METRO COUNCIL	)	RESOLUTION NO 00-2956A Introduced by Councilor Washington

WHEREAS, The Metro Council adopted the Regional Framework Plan in Ordinance 97-715B, including section 1.3 Housing and Affordable Housing, which established policies related to housing and affordable housing; and

WHEREAS, The Metro Council adopted Ordinance 98-769, on September 10, 1998, amending the Regional Framework Plan, including amended section 1.3 regarding housing and affordable housing which authorized the Affordable Housing Technical Advisory Committee (HTAC), and provided for confirming the appointment of members, as codified in Metro Code 3.08; and

WHEREAS, the Metro Code 3.08.030 states that H-TAC shall report to the Metro Council with a recommendation for the adoption of the Regional Affordable Housing Strategy Plan; and

WHEREAS, the recommendation must be first submitted to MPAC as a preliminary recommendation for review and comment consistent with Metro Code 3.08.040; and

WHEREAS, prior to the recommendation to the Metro Council, the H-TAC shall conduct at least one public hearing; and

WHEREAS, H-TAC has been meeting since September of 1998 to develop the affordable housing production goals and implementation strategies described in the *Regional Affordable Housing Strategies* (RAHS); and

WHEREAS, At H-TAC's request, the Metro Council adopted Ordinance No. 99-833 that extended the deadline for H-TAC to complete their work and make recommendations to the Metro Council from December 1999 to June, 2000; and

WHEREAS, H-TAC created and utilized subcommittees (Fair Share, Cost Reduction, Land Use and Regulatory, Regional Funding and Outreach Subcommittee) meeting regularly, from October 1998 to March 2000, to develop the affordable housing productions goals, implementation strategies described in the RAHS and develop public involvement strategies; and

WHEREAS, the Fair Share Subcommittee analyzed housing data, estimated the Benchmark Need for affordable housing to 2017 and recommended options for a regional five-year affordable housing production goals; and

WHEREAS, the Land Use & Regulatory Subcommittee developed land use strategy reports and recommendations based on factual information for seven strategies and tools included in the RAHS; and

WHEREAS, the Cost Reduction Subcommittee developed non-land use strategy reports and recommendations based on factual information for nine strategies and tools included in the RAHS; and

WHEREAS, the Regional Funding Subcommittee developed a regional funding strategy report and recommendations based on factual information for strategies and tools for maximizing existing resources and strategies and tools for new funding sources; and

WHEREAS, H-TAC has reviewed, revised and approved by motions all the draft strategy reports prepared by the Cost Reduction Subcommittee, Land Use & Regulatory Subcommittee and Regional Funding Subcommittee, and used them to develop the strategies for increasing and preserving the inventory of affordable housing included in the RAHS consistent with the Regional Framework Plan requirements; and

WHEREAS, H-TAC held three focus groups to gather technical comments on the strategies, convened four community round table discussions around the region to provide opportunity for citizen comments, and held one public hearing as required by Metro Code; and

WHEREAS, H-TAC presented its work to MPAC on February 24, 1999, June 9, 1999, December 8, 1999, April 26, 2000 and May 10, 2000 and received MPAC comments; and

WHEREAS, H-TAC and staff presented H-TAC work to the Metro Council on April 27, 1999, June 8, 1999, December 7, 1999, December 16, 1999, March 28, 2000, and April 13, 2000 and received Metro Council comments; and

WHEREAS, H-TAC revised the RAHS at its May 8 and 22 and June 12, 2000 meetings to address concerns voiced at the focus groups meetings, community round table discussions, public hearing, MPAC and Metro Council meetings; and

WHEREAS, H-TAC at its June 12, 2000 meeting reached a decision to forward its recommendations in the form of the June 2000 Regional Affordable Housing Strategy (RAHS) to the Metro Council; and

WHEREAS, H-TAC has fulfilled Metro Code requirements having submitted the Regional Affordable Housing Strategy to MPAC and having held at least one public hearing for the purpose of gathering comment from citizens and local governments: and

now, therefore,

BE IT RESOLVED;

1. That the final recommendations of the Affordable Housing Technical Advisory Committee (H-TAC) are hereby accepted by the Metro Council as follows:
    a) The June 2000 Regional Affordable Housing Strategy (RAHS) in Exhibit "A" containing the affordable housing production goals and implementation strategies for the region and local governments is hereby accepted for development of appropriate amendments to regional policies.
    b) The appendices for the RAHS in Exhibit "B" including factual information upon which H-TAC based its recommendations are accepted to be considered for the decision record for amendments to regional affordable housing policy.
    c) A summary of citizen comments and HTAC response from the May 11, 2000 public hearing on the RAHS in Exhibit "C" are accepted to be considered for the decision record for amendments to regional affordable housing policy.
    d) Letters of comment about the work of H-TAC and the RAHS in Exhibit "D" are accepted to be considered in the decision record for amendments to regional affordable housing policy.
2. Metro Council hereby directs staff to develop an ordinance for consideration of appropriate amendments to the Regional Framework Plan and Urban Growth Management Functional Plan to include the recommendations in the RAHS in regional policy.

3. That the Metro Council, through adoption of an ordinance, will establish a starting point and procedures for local governments to report their progress in meeting their requirements in any amendments to the Urban Growth Management Functional Plan recommended in the RAHS.

ADOPTED by the Metro Council this _____ day of _______________ 2000.

____
David Bragdon, Presiding Officer

ATTEST:

____
Recording Secretary

Approved as to Form:

____
Daniel B. Cooper, General Counsel

GROWTH MANAGEMENT COMMITTEE REPORT
CONSIDERATION OF RESOLUTION NO. OO-2956A, FOR THE PURPOSE OF ACCEPTING THE REGIONAL AFFORDABLE HOUSING STRATEGY PREPARED BY THE AFFORDABLE HOUSING TECHNICAL ADVISORY COMMITTEE APPOINTED BY THE METRO COUNCIL

Date: June 21, 2000 Presented by: Councilor Washington

Committee Action: At its June 20, 2000 meeting, the Metro Growth Management Committee voted 3-0 to recommend Council adoption of Resolution 00-2956A. Voting in favor: Councilors Washington, Bragdon and Park.

Background: Resolution 00-2956 recognizes the completion of the Regional Affordable Housing Strategy (RAHS) by the Affordable Housing Advisory Committee (H-TAC), chaired by Multnomah County Commissioner Diane Linn. HTAC has met since September of 1998, and conducted its work, in part, through five subcommittees. The RAHS was constructed to meet the requirements of Metro Council Ordinance 98-769, including the revised deadline for submittal of June 30, 2000.

- **Existing Law:** Ordinance 98-769 amended the Regional Framework Plan, Chapter 1, Land Use, Section 1.3 Housing and Affordable Housing. After declaring that "the Council, with the advice from MPAC has determined that the subject matter of affordable housing is a growth management and land-use planning matter of regional concern...," and that "Metro will develop a "fair share strategy" for meeting the needs of the urban population in cities and counties...," Section 1.3 identifies the purpose of the section as "to address the need for a regional affordable housing strategy, in order to achieve this fair share strategy."

  Ordinance 98-769 also created the Affordable Housing Technical Advisory Committee, designated positions and appointed the initial membership.

- **Budget Impact:** Chapter 5 of the Regional Affordable Housing Strategy: Recommendations for Implementation, calls for Metro to take limited action in the areas of technical assistance, monitoring and staffing a housing advisory committee. Resolution 00-2956 does not implement any of these recommendations, but rather, accepts the report.

Committee Issues/Discussion: H-TAC vice-chair Jeff Condit and Growth Management Services Department staff Jerry Uba made the presentation to committee and submitted the Final Draft of the RAHS document. One substantive change from a previous Discussion Draft was called out. That change occurred in Chapter 5, section 3, page 81, and clarified the meaning of "local government consideration of affordable housing land use tools."

In addition, the Committee was asked to consider a recommendation from MPAC, also in chapter 5, that removed a reference to amending the Regional Framework Plan in a 2003 assessment of progress in achieving Affordable Housing Production Goals.

Chair Park clarified with legal counsel that the MPAC recommendation did not contravene an agreement reached with local jurisdictions, who were not satisfied with early versions of Regional Framework Plan language with regard to affordable housing. The Growth Management Committee then accepted the June, 2000 Final Draft, as amended by MPAC, as the version to recommend for Council adoption.

Public testimony was allowed, and a representative of the Portland Association of Realtors spoke against passage of the resolution. She objected to the narrow focus of the RAHS plan, feeling that assistance should be made to all homebuyers, not just low-income individuals and families. She also felt that the report set up an unfunded mandate requiring local jurisdictions to collect new housing inventory data. Lastly, she was opposed to a recommendation to take a series of steps allowing creation of a real estate transfer tax, and felt it would hurt younger home buyers most, since they were more likely to have multiple real estate transactions in a shorter amount of time.

Mr. Condit and some committee members responded briefly to these comments, and offered to consider any specific amendments the previous speaker may bring. They pointed out that other opportunities for input would exist at the point where an ordinance would be drawn up to amend the Framework Plan and Urban Growth Management Functional Plan, and during annual reviews of the effects of local jurisdiction's amendments of their functional plans. Mr. Condit also clarified that HTAC was not wedded to a real estate transfer tax, and would welcome other ideas that could generate a like amount of money to help implement recommendations in the Regional Affordable Housing Strategy.

Staff Report

CONSIDERATION OF RESOLUTION NO. 00-2956 FOR THE PURPOSE OF ACCEPTING THE REGIONAL AFRODABLE HOUSING STRATEGY PREPARED BY THE AFFORDABLE HOUSING TECHNICAL ADVISORY COMMITTEE APPOINTED BY THE METRO COUNCIL.

Date: May 30, 2000 Presented by: Andy Cotugno and Gerry Uba

PROPOSED ACTION

This resolution would recognize the completion of the Regional Affordable Housing Strategy (RAHS) by the Affordable Housing Technical Advisory Committee by accepting the RAHS and directing staff to prepare proposed amendments to the Regional Framework Plan and Urban Growth Management Functional Plan for the Metro Council consideration.

FACTUAL BACKGROUND

The Council established H-TAC on November 20, 1997 (Resolution 97-2583B) and included it in the Regional Framework Plan, adopted by the Council on December 11, 1997 (Ordinance 97-715B). The appeal of the Regional Framework Plan provisions by some local governments resulted in a settlement agreement that amended Section 1.3 of the Regional Framework Plan regarding housing and affordable housing. The settlement also added a new chapter to the Metro Code that amended the composition of the H-TAC and confirmed the appointment of initial members to the committee. On September 10, 1998, the Council adopted Ordinance 98-769 that amended the Regional Framework Plan provisions and appointed the initial members of H-TAC.

The Metro Code stated that: a) H-TAC shall conduct at least one public hearing and invite citizens and government officials to testify on its work before presentation of its recommendations to the Metro Council; and b) H-TAC shall submit preliminary recommendation to MPAC before presentation of is final recommendation to the Metro Council.

The H-TAC has met since September 1998 to develop the Regional Affordable Housing Strategy (RAHS) using background analyses and work developed by its five subcommittees – Fair Share, Land Use and Regulatory, Cost Reduction, Regional Funding, and Outreach). The H-TAC used its five subcommittees, with the assistance of staff to develop affordable housing production goals, implementation strategies described in the RAHS and develop public involvement strategies.

The Fair Share Subcommittee analyzed housing data, estimated the Benchmark Need for affordable housing to 2017 and recommended options for a regional five-year affordable housing production goals. The Land Use and Regulatory Subcommittee developed land use strategy reports and recommendations based on factual information for seven strategies and tools included in the RAHS. The Cost Reduction Subcommittee and staff developed non-land use strategy reports and recommendations based on factual information for nine strategies and tools included in the RAHS. The Regional Funding Subcommittee developed a regional funding strategy report and recommendations based on factual information for strategies and tools for maximizing existing resources and strategies and strategies and tools for new funding sources. Using a $40,000 grant from the Fannie Mae Foundation, and the assistance of the Outreach Subcommittee, the H-TAC held three focus groups in March 2000 to gather technical comments on the strategies and convened four community round table discussions around the region in April 2000. The H-TAC also held one public hearing on May 11, 2000 as required by Metro Code and gathered comments included as an exhibit to Resolution 00-2956.

During the period that H-TAC was reviewing and finalizing the strategy reports, the Metro Policy Advisory Committee (MPAC) was updated five times on the work of H-TAC. These updates included a formal presentation of H-TAC preliminary recommendation in the form of the RAHS to MPAC on May 10, 2000. During the same period, the Metro Council was updated six times on the work of H-TAC.

The H-TAC reviewed and used the comments from MPAC, Metro Council, focus groups, community round table discussions and public hearing to finalize the RAHS. Thereafter, the H-TAC reached a decision to forward its recommendations in the form of the RAHS to the Metro Council.

Highlights of the H-TAC recommendations are as follows:

Affordable Housing Production Goals:

- Metro and local governments adoption of Affordable Housing Production Goals (formerly called "fair share targets") as guidelines in local policy for measuring progress, not as a functional plan requirement.
- Local governments adoption of three affordable housing land use policies into Comprehensive Plan within 24 months after the Metro Council adoption of an ordinance that establishes a starting point and procedures for local governments to report their progress.

Land Use Strategies:

- Metro consideration of one land use strategy when amending the urban growth boundary.
- Local governments consideration of replacement housing and voluntary inclusionary housing strategies in urban renewal areas/districts.
- Local governments consideration of use of density bonus, replacement housing, transfer development rights, inclusionary housing, locational needs of elderly and people with disabilities housing, reduction of local regulatory restraints to affordable housing and parking as land use tools/strategies to carry out Comprehensive Plan affordable housing policies.

Reporting:

- Local governments submission of a brief report to the region, through Metro, on status of Comprehensive Plan amendments within 12 months after adoption of the RAHS.
- Local governments submission of a report to the region, though Metro, on status of Comprehensive Plan amendments and adoption of land use-related affordable housing tools/strategies within 24 months after the adoption of RAHS.
- Local governments submission of a report to the region, through Metro, on amendments to local Comprehensive Plan, land use tools and strategies adopted, outcomes of those strategies, and any affordable housing developed and expected within the jurisdiction within 36 months (2003) after the adoption of RAHS.

Other:

- Metro adoption of a regional policy that establishes MPAC and Metro Council assess the progress of the jurisdictions towards achieving the Affordable Housing Production Goals using 2000 Census data.

The H-TAC also recommended other roles and responsibilities for Metro, local governments, federal government, State of Oregon, housing providers, private funders, large employers/businesses, Tri-Met, faith based organizations and citizens.

<u>RECOMMENDATION:</u>

Staff recommends the adoption of Resolution 00-2956. This would: 1) accept the RAHS as meeting H-TAC's assignment in the Regional Framework Plan and Metro Code; and 2) direct staff to prepare draft Regional Framework Plan and Urban Growth Management Functional Plan amendments for consideration of changes to the existing regional housing policies.