A G E N D A

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METRO

Agenda

MEETING: METRO COUNCIL REGULAR MEETING
DATE: June 22, 2000
DAY: Thursday
TIME: 5:30 PM
PLACE: Metro Council Chamber

CALL TO ORDER AND ROLL CALL

1. INTRODUCTIONS

2. CITIZEN COMMUNICATIONS

3. EXECUTIVE OFFICER COMMUNICATIONS

4. AUDITOR COMMUNICATIONS

5. MPAC COMMUNICATIONS

6. CONSENT AGENDA

6.1 Consideration of Minutes for the June 15, 2000 Metro Council Regular Meeting.

7. ORDINANCES –FIRST READING

7.1 **Ordinance No.00-868,** For the Purpose of Amending Metro Code Chapter 5.02 to amend the definition of recoverable solid waste to include compostable organic waste; and Declaring an Emergency.

8. RESOLUTIONS

8.1 **Resolution No. 00-2956**, For the Purpose of Accepting the Regional Affordable Housing Strategy Recommended by the Affordable Housing Technical Advisory Committee Appointed by the Metro Council. — Washington

8.2 **Resolution No. 00-2957**, For the Purpose of Transferring a Solid Waste Facility Franchise Issued to Willamette Resources Inc., To Willamette Resources, Inc. as a Wholly Owned Subsidiary of Allied Waste Industries, Inc. — McLain

8.3 **Resolution No. 00-2954,** For the Purpose of Urging Amendment of ORS 233.297, Et Seq. Relating to Impact Fees and System Development Charges to Include Facilities for Police, Fire, Libraries, and Schools. — Atherton

9. EXECUTIVE SESSION HELD PURSUANT TO ORS 192.660(1)(e). DELIBERATIONS WITH PERSONS DESIGNATED TO NEGOTIATE REAL PROPERTY TRANSACTIONS.

9.1 **Resolution No. 00-2955**, For the Purpose of Approving an Agricultural Lease in the Clackamas River Greenway Target Area. — Atherton

9.2 **Resolution No. 00-2949**, For the Purpose of Authorizing the Executive Officer to Execute an Allocation, Joint Cooperation and Defense Agreement with the Port of Portland for the Willamette Cove Property. — Washington

10. COUNCILOR COMMUNICATION

ADJOURN

Cable Schedule for June 22, 2000 Metro Council Meeting

	Sunday (6/25)	Monday (6/26)	Tuesday (6/27)	Wednesday (6/28)	Thursday (6/22)	Friday (6/23)	Saturday (6/24)
CHANNEL 11 (Community Access Network) (most of Portland area)		4:00 P.M.					
CHANNEL 21 (TVCA) (Washington Co., Lake Oswego, Wilsonville)							
CHANNEL 30 (TVCA) (NE Washington Co. - people in Wash. Co. who get Portland TCI)							
CHANNEL 30 (CityNet 30) (most of City of Portland)	8:30 P.M.						
CHANNEL 30 (West Linn Cable Access) (West Linn, Rivergrove, Lake Oswego)	8:00 A.M. (previous meeting)	3:00 P.M. (previous meeting)	10:00 A.M. (previous meeting)	5:00 P.M. (previous meeting)	11:00 P.M. (previous meeting)	8:00 A.M. (previous meeting)	
CHANNEL 33 (ATT Consumer Svcs.) (Milwaukie)	4:00 P.M. (previous meeting)					10:00 P.M. (previous meeting)	9:00 A.M. (previous meeting)

PLEASE NOTE THAT ALL SHOWING TIMES ARE TENTATIVE BASED ON THE INDIVIDUAL CABLE COMPANIES' SCHEDULES.

Agenda items may not be considered in the exact order. For questions about the agenda, call Clerk of the Council, Chris Billington, 797-1542. Public Hearings are held on all ordinances second read and on resolutions upon request of the public. Documents for the record must be submitted to the Clerk of the Council to be considered included in the decision record. Documents can be submitted by email, fax or mail or in person to the Clerk of the Council. For assistance per the American Disabilities Act (ADA), dial TDD 797-1804 or 797-1540 (Council Office).

Agenda Item Number 6.1

Consideration of the June 15, 2000 Regular Metro Council Meeting minutes.

Metro Council Meeting
Thursday, June 22, 2000
Metro Council Chamber

Agenda Item Number 7.1

Ordinance No. 00-868, For the Purpose of Amending Metro code Chapter 5.02 to amend the definition of recoverable solid waste to include compostable organic waste; and Declaring an Emergency.

First Reading

Metro Council Meeting
Thursday, June 22, 2000
Metro Council Chamber

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING METRO CODE CHAPTER 5.02 TO AMEND THE DEFINITION OF RECOVERABLE SOLID WASTE TO INCLUDE COMPOSTABLE ORGANIC WASTE AND DECLARING AN EMERGENCY	)	METRO ORDINANCE NO. 00-868 Introduced by: Executive Officer Mike Burton

WHEREAS, The Regional Solid Waste Management Plan identifies the recovery of organic materials as a primary area for focused and intensive waste reduction and recovery program initiatives; and

WHEREAS, The Metro Council approved an Organic Waste Management Work Plan in Resolution No. 99-2856; and

WHEREAS, Key elements of the Organic Waste Management Work Plan would be realized if compostable organic wastes could be accepted at Metro Central Transfer Station, separated from other municipal solid waste; and

WHEREAS, Metro Code section 5.02.015(t) establishes a definition for Recoverable Solid Waste that includes yard debris and wood waste but not other types of recoverable or compostable organic wastes, and Metro Code section 5.02.029 establishes a user charge at Metro transfer stations for Recoverable Solid Waste; and

WHEREAS, Compostable organic materials could be kept separated from other municipal solid waste if delivered to Metro Central Transfer Station as, and managed as, a Recoverable Solid Waste; and, WHEREAS, The purpose of this Ordinance is to allow compostable organic wastes to be accepted at Metro Central Transfer Station separated from other municipal solid waste, the Council finds that it is necessary for the welfare of the Metro area that this ordinance take effect immediately, pursuant to Sections 37(2) and 39(1) of the Metro Charter, because delay would prevent the recovery of organic materials, and no benefit would be derived by delaying the effective date of this ordinance; and

WHEREAS, This ordinance was submitted to the Executive Officer for consideration and was forwarded to the Council for approval; now, therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

SECTION 1. Section 2 is added to and made a part of Metro Code Chapter 5.02.015.

SECTION 2(a).

"Compost" shall have the meaning assigned thereto in Metro Code section 5.01.010.

SECTION 2(b).

"Compostable Organic Waste" means organic wastes delivered in a single transaction at Metro Central Station or at Metro South Station in a form suitable for making Compost, notwithstanding the presence of incidental amounts or types of non-compostable materials.

SECTION 3. Metro Code Section 5.02.015(t) is amended to read:

"Recoverable Solid Waste" means wood waste, yard debris, compostable organic waste, or tires, whether Source-Separated or commingled, and delivered in a single transaction at Metro Central Station or at Metro South Station in a form suitable for mechanical extraction or biological recovery of useful materials, notwithstanding the presence of incidental amounts or types of other contaminants.

SECTION 4.

This Ordinance being necessary for the preservation of public welfare, an emergency is therefore declared to exist for the reasons set forth in the recitals above, and this Ordinance shall take effect immediately upon its passage, pursuant to Metro Charter Sections 37(2) and 39(1).

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

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EXECUTIVE SUMMARY
AMENDING METRO CODE CHAPTER 5.02 TO INCLUDE COMPOSTABLE ORGANIC WASTE IN RECOVERABLE SOLID WASTE DEFINITION
Ordinance No. 00-868

PROPOSED ACTION

- Recommend that Metro Council pass Ordinance No. 00-868, which amends the definition of "Recoverable Solid Waste" in Metro Code Chapter 5.02 to include compostable organic waste.

WHY NECESSARY/DESCRIPTION

- Allows for a rate to be posted at the transfer station for such materials and allows them to be accepted and managed separately from other solid wastes.
- Helps to implement the Organic Waste Management Work Plan adopted by Metro Council as Resolution No. 99-2856, by increasing the region's ability to accept, stage and recover such materials.

ISSUES

- In order for the transfer stations to fill a critical role in organic waste recovery, they must be able to accept source-separated organic waste from third party haulers.

- The Metro Code currently has provisions for special user charges for Recoverable Solid Waste. Organic materials already covered by these provisions include yard debris and wood waste.

- Expanding the definition of Recoverable Solid Waste to include all organics allows REM to establish rates for the delivery of organic waste to Metro's transfer stations and allows REM to utilize the rate structure for Recoverable Solid Waste that is already established.

BUDGET/FINANCIAL IMPACTS

- None. The rate for Recoverable Solid Waste covers all Metro costs of managing such waste at the transfer stations. Any additional management, such as for processing, testing and marketing, are encompassed by the Organic Waste Management Work Plan. Both the Organics Plan and its budget have already been approved by Metro Council, so there is no additional fiscal impact.

STAFF REPORT

Ordinance No. 00-868, FOR THE PURPOSE OF AMENDING METRO CODE CHAPTER 5.02 TO AMEND THE DEFINITION OF RECOVERABLE SOLID WASTE TO INCLUDE COMPOSTABLE ORGANIC WASTE AND DECLARING AN EMERGENCY.

July 5, 2000 Presenter: Terry Petersen

BRIEF DESCRIPTION OF ORDINANCE

This Ordinance amends the definition of "Recoverable Solid Waste" in Metro Code Chapter 5.02 to include compostable organic waste. This allows a rate to be posted at the transfer station for such materials, and allows them to be accepted and managed separately from other solid wastes. This ordinance helps to implement the Organic Waste Management Work Plan, adopted by Metro Council as Resolution No. 99-2856, by increasing the region's needed ability to accept, stage and recover such materials.

EXISTING LAW

Expansion of the definition of Recoverable Solid Waste requires an amendment of Metro Code section 5.02.015(t). Any amendment of Metro Code requires an ordinance approved by Metro Council, pursuant to Metro Charter section 39(1).

BACKGROUND

In December 1999, a three-year Organic Waste Management Work Plan developed by an intergovernmental team was adopted by the Metro Council (Resolution No. 99-2856). This plan provides for a three-track approach to the recovery and diversion of the region's organic wastes. The plan emphasizes waste prevention, recovery of food for human use, diversion of food for animal feed and the development of processing infrastructure for organic materials not suitable for other uses.

Pilot projects for the collection and processing of organics and the development of infrastructure to handle such materials are key elements of the Organics Plan. The Metro transfer stations will play a critical role in the development of the region's ability to recover and manage organic wastes.

In the approach to recovery of organics that REM employed prior to adoption of Resolution No. 99-2856, haulers of organic materials were under contract to Metro. In this arrangement, there was no need for a special fee for organics. However, in implementing the new Organics Plan, it becomes necessary to accept organic material from "third-party" haulers. This requires that Metro post a fee and manage organics separately from mixed solid waste at the transfer stations. The Metro Code currently has provisions for special user charges for Recoverable Solid Waste. Organics already covered by these provisions include yard debris and wood waste. By expanding this definition to include all organics, this ordinance: (1) allows REM to establish fair and equitable rates for delivery of organic waste to Metro's transfer stations, and thereby (2) allows REM to utilize the rate structure for recoverable materials that is already established in Metro Code. The definitional changes in this ordinance were brought before, and accepted by, the Rate Review Committee on August 4, 1999

BUDGET IMPACT

None. The rate for Recoverable Solid Waste covers all Metro costs of managing such waste at the transfer stations. Any additional management, such as for processing, testing and marketing, are encompassed by the Organic Waste Management Work Plan. Metro Council has already approved both the Organics Plan and its budget, so there is no additional fiscal impact.

OUTSTANDING QUESTIONS

- Market prices for this material are difficult to establish at this time due to developing nature of the industry. The closest fully permitted processing facility charges a $47.50 per ton tip fee.
- Adjustments to the rate charged may fluctuate until such time as the processing market solidifies. The current rate structure for Recoverable Solid Waste is designed to deal with this market issue. The City of Portland and Metro are actively working to establish stable local processing options.

EXECUTIVE OFFICER'S RECOMMENDATION

The Executive Officer recommends approval of Ordinance 00-868.

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Agenda Item Number 8.1

Resolution No. 00-2956, For the Purpose of Accepting the Regional Affordable Housing Strategy Recommended by the Affordable Housing Technical Advisory Committee Appointed by the Metro Council.

Metro Council Meeting
Thursday, June 22, 2000
Metro Council Chamber

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 00-2956 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.

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.

RECOMMENDATION:
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.

METRO

Exhibit "A" to Resolution No. 00-2956.

Regional Affordable Housing Strategy (RAHS)

Discussion Draft 1 – for public comment
Regional Affordable Housing Strategy

This exhibit includes the *Regional Affordable Housing Strategy (RAHS)* dated May 2000. H-TAC is expected to adopt a final draft at their June 12, 2000 meeting, which will be forwarded to the Metro Council for acceptance on June 22, 2000. Proposed changes to *Chapter Five: Recommendations for Implementation* are also included in this exhibit as the likely changes that H-TAC will recommend.

Exhibit A to Resolution No. 00-2956
The complete version of this document may be found on Metro's website at www.metro-region.org

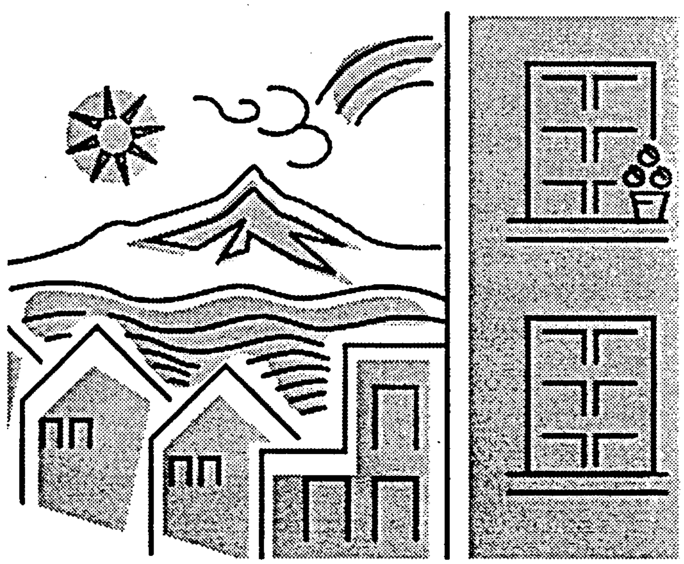
Affordable Housing

Discussion Draft 1 – for public comment

Regional Affordable Housing Strategy

Recommendation from the Affordable Housing Technical Advisory Committee to the Metro Council

May 2000



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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 so as to leverage 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[16], 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 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

[16] 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 ~~would~~ 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 also help provide first time homeownership opportunities. As stated previously in Chapter 3: Regional Housing Goals, there is approximately $27,538,761[17] 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 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) help lower income first time homebuyers purchase homes throughout the region; b) provide new and rehabilitated housing units to households earning less than 50%MHI; 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%, as well as potential revenues in both a strong and weak economy. Potential revenues range from $4.8 to $40.6 million.

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) ~~change the current law that prohibits local governments from collecting a RETT, or~~ exempt~~ing~~ the Metro region from the current law that prohibits local governments from collecting a RETT and~~; and 2)~~ 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~~B~~).

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.

[17] 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.

For profit and non-profit developers are less reliant on Federal subsidies. 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.

H-TAC also recommends that the elected leaders in the Metro region should be encouraged 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 could 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:

8. 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.
9. 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.
10. 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.
11. 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.
12. Consider setting up an independent review panel to consider the cost impact of new and existing codes.
13. Strengthen the current educational system for code related matters that provides opportunities for all (many community colleges currently offer related course).
14. 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 groups in a community, 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[18], 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

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

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.

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 combined housing and other services provided at the village will eliminate some of the psychological and physical consequences associated with nursing home living, and thereby save the state approximately $1 million per year.[19]

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.

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[19] Brainstorm, April 1999

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[20]. 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 affordable, smaller 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. However, <u>H-TAC concluded that local jurisdictions should be required to amend their local Comprehensive Plans to comply with 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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[20] 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]
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.

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.

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 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 tools 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 ~~incorporate~~ comply with the following regional affordable housing land use policies[21] no later than 24 months after the adoption of the *Regional Affordable Housing Strategy* (RAHS):

- Local comprehensive plans will include ~~policies calling for~~strategies resulting in the development of a diverse range of housing types within their jurisdictional boundaries.
- ~~Planned housing densities within local plans shall support the development of the regional transportation system and designated centers and corridors.~~
- ~~Accessory dwelling units shall be permitted as required by the Urban Growth Management Functional Plan.~~
- 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 ~~to obtain sufficient~~in affordable housing.

The adopted Functional Plan (Title 1) currently requires certain strategies that may result in additional affordable housing opportunities, such as minimum density requirements and 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, such as 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. ***(Option 1:)*** Local government consideration shall include identification of affordable housing land use tools currently in use and additional affordable housing land use tools to be implemented in order to comply with the affordable housing land use policies. ***(Option 2:)*** 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, to be implemented in order to comply with the affordable housing land use policies.

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 fair share 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

[21] 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.

	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 ~~establish~~ 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 amend the Regional Framework Plan and/or Urban Growth Management Functional Plan to commit that Metro and MPAC in 2003 will 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.

METRO

Exhibit "B" to Resolution No. 00-2956.

Regional Affordable Housing Strategy (RAHS)

Appendices to the Regional Affordable Housing Strategy

This exhibit includes the appendices to the ***Regional Affordable Housing Strategy.***

Exhibit B to Resolution 00-2956

Appendices to the *Regional Affordable Housing Strategy*

A. *METRO POLICIES*

1. RFP Policy 1.3
2. Code relating to H-TAC
3. Title 7, UGMFP

B. *AFFORDABLE HOUSING PRODUCTION GOALS (FAIR SHARE)*

1. H-TAC Subcommittee members
2. Key H-TAC working documents and methodology

C. *COMPLETE STRATEGY REPORTS*

1. H-TAC Subcommittee members

Cost Reduction

2. Land Use and Regulatory
3. Regional Funding

D. *NOTEBOOKS OF FACTUAL INFORMATION FOR DEVELOPMENT OF AFFORDABLE HOUSING PRODUCTION GOALS AND THE STRATEGY REPORTS*

These notebooks are stored in the Growth Management Services Department at Metro Regional Center.

E. *PUBLIC COMMENT*

1. Focus Group summaries
2. Community Roundtable Discussion summaries
3. Questionnaire summary
4. Public Hearing record

F. *ADDITIONAL REFERENCE MATERIAL*

1. Matrix from *Affordable Housing Tools Survey*, Community Development Network
2. *What is affordable housing in the Metro region?* (hh income/occupations table)
3. Description of methodology for calculating median family income from HUD
4. Affordable Housing Tools Survey of Local Governments, 1999-2000
5. 1997 Metro Housing Needs Analysis

METRO

Exhibit "C" to Resolution No. 00-2956
Regional Affordable Housing Strategy (RAHS)

Summary of Citizen Comments from the May 11, 2000 Public Hearing and H-TAC Recommendations

This document is a summary of substantive comments on the RAHS received May 11, 2000, and recommendations approved by H-TAC and accepted by the Metro Council on June 22, 2000.

Exhibit "C" to Resolution No. 00-2956
Regional Affordable Housing Strategy (RAHS)

Comment 1: Acceptable Minimum Size of Affordable Housing (page 3 of public hearing minutes)
Although H-TAC clearly defined "acceptable production costs," it did not define "acceptable minimum size or square footage" of affordable housing. (William Ashworth, 2147 NE Montgomery Street, Hillsboro, OR 97124, represented Oregon Realty)

H-TAC Response on Comment 1:
H-TAC did not get into this specific level of detail in the development of the RAHS. Additionally, most funders provide requirements on the size and specifications of affordable housing.

Comment 2: Real Estate Transfer Tax (page 3 of public hearing minutes)
H-TAC's characterization of Real Estate Transfer Tax (RETT) as not being a regressive tax is wrong. An additional tax on some property owners is "unfair and irrational." The whole community should share the affordable housing burden. The Metropolitan Association of Realtors would therefore not support a RETT of any amount. The Portland Metropolitan Association of Realtors would not support a real estate transfer tax of any amount. (William Ashworth, 2147 NE Montgomery Street, Hillsboro, OR 97124, represented Oregon Realty; and Jane Leo, Governmental Affairs Director, Portland Metropolitan Association of Realtors, 5100 SW Macadam, Suite #360, Portland, OR 97201)

H-TAC Response on Comment 2:
H-TAC members agreed that this funding method showed the most potential for raising a large amount of money for housing. H-TAC members also agreed that 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. In light of this concern, H-TAC has therefore proposed that houses that are sold below a to be determined "affordable" amount (for example, below $120,000) would be exempt from the tax, so as to not impact low and moderate income homebuyers.

It is also important to point out that potential revenue from real estate transfer tax is 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.

Comment 3: Linkage of Transportation to Affordable Housing (page 4 of public hearing minutes)
H-TAC did not address linkage of affordable housing to transportation, employment and amenities. "Without these things, affordable housing would be ghettos." (William Ashworth, 2147 NE Montgomery Street, Hillsboro, OR 97124, represented Oregon Realty)

H-TAC Response on Comment 3:
H-TAC recognized the important links between affordable housing and transportation, as well as employment and general livability. Some of the strategies included in the RAHS do consider the connection with transportation, such as the *Parking* and *Elderly and People with Disabilities* strategies. In addition, Metro's JPACT also developed a policy linking transportation funding to affordable housing and forwarded its recommendations to the Metro Council in March 1998. 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. This policy is explained in page 62 of the draft RAHS.

Comment 4: Homeownership Opportunities (page 4 of public hearing minutes)
H-TAC addressed only the needs of residents earning less than 50 percent of the region median household income: this is the same as putting emphasis on creation and maintenance of affordable rental units. H-TAC should address opportunities that will help families and individuals move from rental to home ownership, which would create equity and stability in the community and improve voter turnout. (Jane Leo, Governmental Affairs Director, Portland Metropolitan Association of Realtors, 5100 SW Macadam, Suite #360, Portland, OR 97201)

H-TAC Response on Comment 4: H-TAC identified four income groups in need of affordable housing, ranging from very low income to the first time homebuyer. The income groups are: 0-30%MHI, 30-50%MHI, 50-80%MHI and 80-120%MHI. While the Affordable Housing Production Goals focus on the needs of households earning less than 50%MHI, many other strategies included in the RAHS may be used to increase affordability for the higher income groups as well as reducing the cost of housing in general.

Comment 5: Longevity of H-TAC (page of 4 of public hearing minutes)
Is H-TAC planned to be phased out? (Louis Hall, 1515 SW 12th Ave, Apt. #314, Portland, OR 97201, representative of Elders in Action)

H-TAC Response on Comment 5:
One of H-TAC's recommendations to the Metro Council is to fund a RAHS Implementation Committee, which could be comprised of the same members as the current H-TAC or downsized, and would most likely meet quarterly.

Comment 6: Vacant Public Buildings and Properties (page of 6 of public hearing minutes)
H-TAC should add to its recommendations the need to use vacant public buildings and properties for affordable housing purposes. (Eulia Quau Mishima, 840 NW 6th, Gresham, OR 97030)

H-TAC Response on Comment 6:
H-TAC addressed some of these issues in the *Land Cost and Availability* strategy, including tax foreclosed properties and donation of public and/or private land for use as affordable housing. Additionally, the *Air Rights* strategy was not addressed by H-TAC at this time, but recommended for future consideration. The Air Rights strategy identified as an important strategy consideration of underutilized public land, including the air rights above public land, parking lots, or buildings for affordable housing purposes.

Comment 7: Utility Cost Assumption (page 1 of public hearing minutes)
Concerned that H-TAC decision regarding 90,000 need was based on data that was not complete. For example, on page 23 of the Regional Affordable Housing Strategy (RAHS), the utilities cost ($40/month for 2 bedroom multi-family unit) used to produce the information in Table 10 may be too low. H-TAC should also address "renter insurance" for multi family unit and "mortgage insurance" for single family unit. (William Ashworth, 2147 NE Montgomery Street, Hillsboro, OR 97124, represented Oregon Realty)

H-TAC Response on Comment 7:
The source of the data for calculating utility costs was the Housing Authority of Portland. For multi-family assisted units the landlord typically pays water and sewer, and the tenant is responsible for electricity. The purpose of Table 10 is to illustrate how expensive it is to produce housing that is affordable for households earning less than 50%MHI. However, the results of Table 10 are not used to calculate the 90,479 Benchmark Need number.

Comment 8: Development Cost of New Construction (page 2 of public hearing minutes)
Concerned that Table 6 in page 21 of the RAHS contained wrong information on the range of cost of single and multi-family unit. This could result in a severe under-funding or over-funding of affordable housing need estimated by H-TAC. (William Ashworth, 2147 NE Montgomery Street, Hillsboro, OR 97124, represented Oregon Realty)

H-TAC Response on Comment 8:
The numbers in Table 6 on page 21 of the RAHS are based on factual information. The source of the data used by H-TAC is *Affordable Housing Cost Study* conducted by the Portland-based Housing Development Center in 1998. This was an extensive study that compared the costs of producing housing by for-profit developers and nonprofit community development corporations for both single family and multi-family housing. It is important to note that the information in Table 6 is provided for illustrative purposes and was not used in the calculation of the Benchmark Need number.

Comment 9: Role of Federal Government (page 4 of public hearing minutes)
There is a lot the Oregon Congressional Delegation could accomplish to help minimize lack of access to home loans for renters than was identified in the RAHS.

H-TAC Response on Comment 9:
H-TAC identified a number of recommendations for the Oregon Congressional Delegation in the RAHS. However, H-TAC spent more time focusing on strategies and tools that could be carried out at the local level.

Comment 10: Strong Regional Affordable Housing Strategy (page of 5 of public hearing minutes)
Adopt a strong regional affordable housing strategy because it is important to the more than 215,000 senior residents of the Metro region. (Louis Hall, 1515 SW 12th Ave, Apt. #314, Portland, OR 97201, representative of Elders in Action)

H-TAC Response on Comment 10:
H-TAC recognizes the special needs of the elderly in the RAHS, and also recognizes that the need for safe, accessible, and affordable housing for seniors will continue to grow as the population ages. H-TAC is recommending that the Metro Council adopt a strong regional affordable housing strategy and maintain a commitment to placing affordable housing on the priority list of regional issues as our region continues to grow.

Comment 11: Mobile/Manufactured Housing: (page of 5 of public hearing minutes)
The mobile/manufactured home issue, particularly in terms of predatory lending and rental practices is a critical issue that H-TAC should address. (Vicki Hersen, 501 SW Washington St., Portland, OR 97229, representative of Elders in Action)

H-TAC Response on Comment 11:
The issue of manufactured home sales practices and rental rate increases in manufactured home parks is an important one that is not directly addressed in the RAHS. H-TAC does recommend the use of community land trusts to prevent lot rental increases in manufactured home parks for seniors, but does not apply the recommendation more broadly to other impacted populations such as first time homebuyers. H-TAC will add a recommendation and brief discussion of the issue in the final draft of the RAHS that is presented to the Metro Council.

Comment 12: (see attached report titled "Sustainable Future Continuing with a Creative Approach for the 2040 Vision"): (page of 6 of public hearing minutes)
Although the report "was not written to address affordable housing, ...however, there are many ideas that could help address the increasing population and need for affordable housing for certain segments of the regional population." (Eulia Quau Mishima, 840 NW 6th, Gresham, OR 97030)

H-TAC Response on Comment 12:
A copy of the document will be distributed to H-TAC, and the concepts identified by Metro staff as relevant to regional affordable housing strategies will be considered at a future date, possibly after the RAHS is presented to the Metro Council.

Other comments:
Comment 13: Metro Council Chamber (page of 4 of public hearing minutes)
The Metro Council Chamber is not elder friendly and violates the ADA (American with Disabilities Act). (Louis Hall, 1515 SW 12th Ave, Apt. #314, Portland, OR 97201, representative of Elders in Action)

H-TAC Response on Comment 13:
H-TAC will forward this concern to the Metro Council.

METRO

Exhibit "D" to Resolution No. 00-2956.

Regional Affordable Housing Strategy (RAHS)

Letters of Comment on H-TAC Work to Develop a Regional Affordable Housing Strategy

This document includes written comments and support of the recommendations in the RAHS approved by H-TAC and accepted by the Metro Council on June 22, 2000.

DATE: May 19, 2000

TO: Malu Harrison Wilkinson
FAX: 503-797-1911

FROM: Eulia Quan Mishima Eulia
PH: 503-666-1932
FAX: 503-667-2098

RE: Suggestions for the Affordable Housing Projects

Today is the last day for public response to the Regional Affordable Housing Strategy, I understand. Listed below are some more thoughts that I hope will be useful in addressing affordable housing. Some are taken from my earlier proposal to Metro entitled A Sustainable Future, Continuing with a Creative Approach with the 2040 Vision, copy of which I gave to you some weeks ago during the public meeting in Gresham. Please forgive the technical errors because I'm writing this on limited time.

- All affordable housing design should be directed toward a sustainable future in as many aspects as possible.

- Invite individuals and groups needing affordable housing to participate in giving ideas and designing spaces suited to their needs from functional and aesthetic standpoints. Include volunteer visual artists, innovative thinkers, young children and students through university levels—and all other interested parties. What would be the maximum space allowable for individuals, couples, and family dwelling? Ask what would help residents to maintain these dwellings -both rented and owned. Ask how they would promote pride dignity when living in the development. It seems that when people hold their neighborhoods and community in esteem, life is more enjoyable. Should each development have an association to lead in promoting livability as related to an affordable housing development? What else? Allow ample time to let the creative juices flow. This means weeks to months. Meet with potential affordable housing residents at a couple times. Encourage participation. A development might really be their future home. People feel good when they have control of their future and they will care more for a home realized by their contributions.

- Consider the pros of more "granny flats" and how these additions to present homes might accommodate many who need affordable housing. Remember that additional land would not be necessary in order to have a such a dwelling. If there was a need for 50,000 affordable living units and if 50,000 homes in the tri-county area added a single "granny flat" to their home, the affordable housing situation might be truly solved—give or take a little! Consider if a "granny flat" adds to the value of a home because it can be rented. Consider how to encourage such additions if it is found that they are a desired mode of affordable housing.

- Contact the counties' assessment offices to identify taxpayer owned buildings within the UGB. Learn which have never been used or are no longer in use. Might one or more of these be ideal for affordable housing?

Page 2
May 19, 2000
To: Malu Harrison Wilkinson
From: Eulia Quan Mishima
Re: Suggestions for Affordable Housing

- Identify industrial complexes or parts conducive to including affordable housing. Many have open spaces that might be very desirable to employees. Living on site could be an advantage to employees as well as workers at businesses near by. Infrastructure already in place would serve for the housing without additional significant costs. The landscape should be designed for sustainability. This could mean elimination of large areas of lawn for wildlife environments. Perhaps dwellers in the housing could have their own gardens or help maintain the landscape. A nursery and/or preschool should be included in any housing development.

- Would some parking lots on businesses be available for housing above a portion of the parking area?

- Consider which streets might become parks or land for affordable housing, single or multiple.

- If affordable home spaces are too small for meetings, projects, community gatherings, should multipurpose room(s) or space(s) be included in affordable housing developments. If yes, decide how these facilities would be "cared" for.

- Consider adding affordable housing above existing retail spaces and the strategies to encourage such dwellings.

- Be sure to consider carefully aesthetics of any affordable dwelling development. Good design lifts the spirits. Bad design will promote different kinds of mental and physical discomforts. (This position can be demonstrated to non-believers!) Consider how good design might be promoted. What about a beautiful 10 story or higher complex with larger green spaces between so that residents can see trees, natural areas and gardens instead of another building?

- What kinds of features should be included for safety and security?

- What should be incorporated in developments to protect ground water?

The end of my list but not the end of all to be considered when it comes to affordable housing.

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O. Gerald Uba, PH.D.
Senior Program Supervisor
Metro Growth Management Services
600 NE Grand Ave.
Portland, OR 97232

Re: Written testimony for inclusion with public comments at H-Tac hearing 5/11/200.

Dear Mr. Uba;

We would like the following comments included in the public record.

Honorable Committee Members:

The management, agents, and staff of Oregon Realty Company respect and recognize the time and effort put forth by the H-TAC committee members to study the issues surrounding affordable housing in the Portland Metro area. The results published in the draft *Regional Affordable Housing Strategy* are encouraging: however, we have the following comments and concerns.

1) The Real Estate Transfer Tax should not be imposed. Property owners in the Metro area have already shown resistance (by tax reform and tax limiting initiatives) to unequal taxation, and RETT's are prohibited by State statute. Like transportation and education, the costs (and the benefits) should be equitably shared by all of our citizens.

2) A benchmark physical description of adequate housing (square footage per person, number of rooms and bathrooms, access to transportation, etc.) should be established and all private and public housing should be included in the projections and estimates. Failure to include private housing will create inaccurate data and skepticism among the public..

3) H-TAC should clarify the extent to which Metro plans to impose yet another layer of governmental control in the housing arena, whether it will replace State, County, and City governments, and how it will administer these changes.

4) Any no-cost or low-cost solutions should be implemented and reviewed against the benchmarks of cost and size over the next three to five years before creating more programs and more government. Proven solutions like revising permitting processes and zoning codes or deferral of taxes are explored in the *Discussion Draft 1* and should be implemented.

5) Metro should seek more help from private and for-profit groups and involve them in future planning. These should include (but not be limited to) members of the Real Estate industry, mortgage brokers and financial institutions, large and small builders, and small property investors. Input from private groups like these will help insure that affordable housing resources can be sustained.

We thank you for listening to our concerns. We would like to be included in future planning efforts by Metro and the H-TAC Committee and we would like to get a copy of the final draft H-TAC submits to the Metro Council.

Thank you for your time and interest.

Sincerely,

Steve Lucas

Gary Viles

William Ashworth

For: Oregon Realty Company
Management
Agents
Staff

CITY OF PORTLAND, OREGON
BUREAU OF PLANNING

VERA KATZ, MAYOR
GIL KELLEY, DIRECTOR
1900 S.W. FOURTH AVENUE, ROOM 4100
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RECEIVED
MAY 17 2000

May 16, 2000

Mike Burton, Executive Officer
Members of the Metro Council
Metro Regional Center
600 NE Grand Avenue
Portland, OR 97232-2736

Dear Executive Officer Burton and Members of the Metro Council:

I am writing to express the support of the Portland Bureau of Planning for the efforts undertaken by the Affordable Housing Technical Advisory Committee (HTAC) to develop a Regional Affordable Housing Strategy.

The City of Portland has been an active partner in this process from the development of the RUGGOs and the Framework Plan to the creation of the Affordable Housing Technical Advisory Committee (HTAC). Portland Commissioner Erik Sten represents the City on HTAC and its Regional Funding Subcommittee. Mike Saba of the Planning Bureau staff has been the City's Alternate on HTAC and a member of the Regulatory Strategies Subcommittee.

The Bureau views the work of HTAC as an essential part of the regional growth management effort and believes fully in the enhanced participation of all regional jurisdictions in promoting greater opportunities for housing affordable to low and moderate income households.

As evidence of this support, I note that the surveys conducted early in the process by the Coalition for a Livable Future and Metro staff show that Portland administers more of the regulatory and funding incentives than any other jurisdiction in the region. Through the creation of the Housing Authority, Portland has a history of affordable housing support that goes back to the end of World War II. In the inventory of publicly assisted rental housing conducted in 1998, we find that Portland, which has thirty percent of the region's population, contains sixty percent of the region's assisted rental units. Our past performance, however, does not mean that we intend to reduce our efforts to address unmet needs.

The need for greater regional involvement in housing assistance is demonstrated by research conducted for the FY 2000-2005 Consolidated Plan. Plan findings point to movement of higher income households to inner-city neighborhoods and a dispersal of lower income residents to outer neighborhoods in the City and to the inner suburban ring (particularly Gresham and Beaverton). Greater ethnic diversity throughout the region has impacted the demographic profile of many areas of the region. For example, cities such as Hillsboro are facing housing needs that were seen only in inner-city neighborhoods in past decades. In short, we are becoming an increasingly diverse metropolitan area whose needs for expanded housing opportunities have brought us into a common housing market. Addressing these housing needs is a complex undertaking. Tying these needs to the regional planning goals for the efficient use of public infrastructure, resource preservation, and a jobs/housing balance makes sense.

We recognize, however, that there are legal, political, and practical constraints that keep Metro from dictating to local jurisdictions a single approach to promoting more affordable housing. We agree with the "good faith" approach embodied by the Strategy. The numerical Affordable Housing Goals that focus on the needs for renter households earning fifty percent or less of the area median income appear reasonable so long as local efforts to address the needs of other groups, such as first time homebuyers, are also credited as overall progress.

Regarding the compliance requirements and timelines, I want to point out that Portland City Council updated the Housing Policy of our Comprehensive Plan in 1998. Our policy update speaks both to the spirit and to the letter of the Regional Policies proposed for the Functional Plan and, in fact, were guided by the discussions occurring at Metro during the adoption of the Framework Plan. We agree to the proposed requirement that local Comprehensive Housing Policy be re-examined in light of the RAHS with the hope that compliance with these Regional Policies does not result in a bureaucratic exercise of further Plan amendments that uses time, energy, and staff resources that could better be applied to addressing the identified needs.

In this spirit, I offer our support for Metro's continuing leadership in hosting the dialogue and proposing solutions for regional housing needs. If you have any questions, feel free to call Mike Saba of my staff at 823-7838.

Sincerely,

Debrah Stein

for Gil Kelley, Director
Bureau of Planning

cc: Mayor Katz
Commissioner Francesconi
Commissioner Hales
Commissioner Saltzman
Commissioner Sten

Housing Advocacy Group
of
WASHINGTON COUNTY

May 3, 2000

Diane Linn, Chair
Metro Affordable Housing Technical Advisory Committee,
600 NE Grand Avenue
Portland, Oregon 97232-2736

Dear Chair Linn:

The Housing Advocacy Group (HAG) of Washington County would like to express its support of the work that H-TAC is doing. Significant among the accomplishments achieved thus far would be the identification of specific targets to which local governments might aspire in order to address the current affordable housing crisis. The Washington County HAG would like to express its concern however over the value of identifying targets without adopting specific requirements designed to insure that local jurisdictions demonstrate a concerted effort in addressing the problem.

Although our group would prefer that the committee adopt mandatory requirements, we do recognize the value of allowing jurisdictions the flexibility of tailoring their program so that potential opportunities are approached in a manner which takes advantage of that jurisdiction's unique strengths. It is our hope that the three year period afforded to jurisdictions for the purpose of implementing affordable housing strategies will encourage both cities and counties to demonstrate their willingness to address the problem. It is our belief however that without specific standards designed to compel jurisdictions to face some of the harder choices, the local policies that result will be marginal in how they address the real need as identified by H-TAC's fair share subcommittee.

In expressing this concern we are specifically reminded of the shift in emphasis which occurred in implementing the Portland/Gresham/Multnomah County Comprehensive Affordable Housing Strategy (CHAS). Despite the fact that this strategy identified the actual need at 0 - 30% and 31 - 50% MFI, and despite the fact that it was acknowledged that money directed to benefit those populations would not have as much buying power as would money directed to the upper income ranges, actual allocation of the $30 million Housing Investment Fund was directed via City Council resolution to favor income groups above where that need had been identified. In effect, the emphasis had shifted from need to production. Although actual spending practices associated with those dollars eventually shifted back once again to favor need over production, it is our fear that the same kind of shift that originally occurred in Portland will take place throughout the region in implementing H-TAC's policies.

Our group does appreciate that a generous amount of flexibility should be inherent in policy directed toward local jurisdictions. We also recognize that Metro's authority to require and enforce affordable housing policy is limited. However, it is our belief that without specific performance measures intended to force jurisdictions to make some of the harder choices, regional policies will have little effect. Therefore, the Housing Advocacy Group of Washington County would like to urge H-TAC to include performance measures emphasizing need (as identified in the acknowledged targets), in its recommendations to the Metro Council.

Sincerely,
The Housing Advocacy Group of Washington County
(The HAG)

The Housing Advocacy Group of Washington County consists of individuals representing various development corporations, service providers and advocacy groups interested in promoting the availability of affordable housing throughout the Washington County area

Agenda Item Number 8.2

Resolution No. 00-2957, For the purpose of Transferring a Solid Waste Facility Franchise Issued to Willamette Resources Inc., to Willamette Resources, Inc. as a Wholly Owned Subsidiary of Allied Waste Industries, Inc.

Metro Council Meeting
Thursday, June 22, 2000
Metro Council Chamber

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF TRANSFERRING A SOLID WASTE FACILITY FRANCHISE ISSUED TO WILLAMETTE RESOURCES, INC. TO WILLAMETTE RESOURCES, INC. AS A WHOLLY OWNED SUBSIDIARY OF ALLIED WASTE INDUSTRIES, INC.	RESOLUTION NO. 00-2957 Introduced by Mike Burton, Executive Officer

WHEREAS, Section 5.01.030 of the Metro Code requires a Metro franchise for any person to own and operate a solid waste processing facility, transfer station, or resource recovery facility; and

WHEREAS, Willamette Resources, Inc. was granted a franchise by the Metro Council on December 31, 1998; and

WHEREAS, Willamette Resources, Inc.'s parent company, Waste Control Systems, Inc. has been acquired by Allied Waste Industries, Inc.; and

WHEREAS, Section 5.01.090 of the Metro Code allows for the transfer of a franchise if an application has been filed in accordance with Section 5.01.060; and

WHEREAS, Willamette Resources, Inc. has filed an application in accordance with section 5.01.060; and

WHEREAS, the applicant has met all the requirements set forth in Section 5.01.060; and

WHEREAS, section 5.01.090 specifies that the Council shall not unreasonably deny an application for transfer of a franchise; now therefore,

THE METRO COUNCIL RESOLVES AS FOLLOWS:

The Willamette Resources, Inc., Solid Waste Facility Franchise shall be transferred from Willamette Resources, Inc. to Willamette Resources, Inc. and Allied Waste Industries, Inc.

David Bragdon, Presiding Officer

Approved as to Form:

Daniel B. Cooper, General Counsel

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SK:bjl

EXECUTIVE SUMMARY
RESOLUTION 00-2957
TRANSFERRING A SOLID WASTE FACILITY FRANCHISE FROM WRI TO WRI AND ITS NEW PARENT COMPANY, ALLIED WASTE INDUSTRIES

PROPOSED ACTION

- Transfer an existing direct-haul franchise from WRI alone to WRI as a subsidiary of its new parent company, Allied Waste Systems, Inc.
- The new franchise will replicate the authority granted by the existing franchise to process, perform materials recovery, and reload putrescible waste for direct-haul to the Columbia Ridge Landfill.

WHY NECESSARY

- Metro Code Section 5.01.090(c) requires that a new franchise application be submitted and approved in order for a franchise to be transferred. WRI submitted a completed Transfer of Ownership or Control form to Metro on May 4, 2000.
- Code requires the Metro Council to act on the application within 120 days after filing. Code further specifies that the Council shall not unreasonably deny an application for the transfer of a franchise.

DESCRIPTION

- The facility conducts materials recovery from dry commercial solid waste. The residual from recovery operations, along with municipal solid waste unsuitable for sorting, is reloaded into transfer trailers for direct-haul to the Columbia Ridge Landfill.

ISSUES/CONCERNS

- None.

BUDGET/FINANCIAL IMPACTS

- Since the existing franchise would be transferred without a change in authorizations, it is not expected to have a financial impact on Metro.

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 00-2957, FOR THE PURPOSE OF TRANSFERRING A SOLID WASTE FACILITY FRANCHISE ISSUED TO WILLAMETTE RESOURCES, INC. TO WILLAMETTE RESOURCES, INC. AS A WHOLLY OWNED SUBSIDIARY OF ALLIED WASTE INDUSTRIES, INC.

Date June 7, 2000 Presented by: Terry Petersen

BRIEF DESCRIPTION OF RESOLUTION

Approval of Resolution 00-2957 will authorize the Executive Officer to transfer a franchise.

EXISTING LAW

Metro Code Section 5.01.045(c)(4) requires a Metro franchise for any person to own and operate a facility that delivers putrescible waste directly from the facility to Metro's contract operator for disposal. Metro Code Section 5.01.090(c) requires that a new franchise application, in accordance with Section 5.01.060, be submitted and approved in order for a franchise to be transferred. WRI submitted a completed Transfer of Ownership or Control form to Metro on May 4, 2000. Because no changes are being made beyond a change in ownership, the information presently on file is still valid and WRI was not required to re-submit a new Standard Application form. Metro Code Section 5.01.090 further specifies that the Council shall not unreasonably deny an application for the transfer of a franchise. If the Council does not act on such an application within 120 days, after the filing of a complete application, the application shall be deemed granted.

BACKGROUND

Since December, 1998, the applicant has been authorized by Metro franchise No. F-005-98 to process putrescible waste, perform materials recovery, and haul waste directly to Metro's contract disposal operator. WRI is a subsidiary of Waste Control Systems. On January 18, 2000, Allied Waste Industries, Inc. purchased 100 percent of the stock of Waste Control Systems, Inc.

BUDGET IMPACT

None

OUTSTANDING QUESTIONS

None

EXECUTIVE OFFICER'S RECOMMENDATION

The Executive Officer recommends approval of Resolution No. 00-2957.

SK:bjl
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Agenda Item Number 8.3

Resolution No. 00-2954, For the Purpose of Urging Amendment of ORS 233.297, Et. Seq. Relating to Impact Fees and System Development Charges to Include Facilities for Police, Fire, Libraries and Schools.

Metro Council Meeting
Thursday, June 22, 2000
Metro Council Chamber

FOR THE PURPOSE OF URGING AMENDMENT OF ORS 223.297, ET SEQ. RELATING TO IMPACT FEES AND SYSTEM DEVELOPMENT CHARGES TO INCLUDE FACILTIES FOR POLICE, FIRE, LIBRARIES AND SCHOOLS)))

RESOLUTION NO. 00- 2954

Introduced by Councilor Bill Atherton

WHEREAS, Growth can create significant fiscal impacts on the citizens and governments of the communities in the region; and

WHEREAS, the purpose of ORS 223.297 to ORS 223.314, the system development charges statutes, serve to provide a uniform framework for establishing SDC's by local governments; and

WHEREAS, ORS 223.299(1)a. currently excludes facilities for police, fire, libraries, and schools from the list of urban capital improvements for which local jurisdictions may collect impact fees or system development charges; and

WHEREAS, Prohibiting communities from being able to collect the full costs of providing for police, fire, library and school facilities is a tax on existing residents; and

WHEREAS, Inequity can occur when broad-based taxes paid by all residents of a community are used to fund facilities and services that primarily benefit new development; and

WHEREAS, Subsidy of new development can distort the balance of supply and demand and cause overproduction or overbuilding; and

WHEREAS, Providing a free market without government subsidies that mask the true costs of population growth can help to establish a carrying capacity process for our communities and region; now, therefore,

BE IT RESOLVED

That ORS 223.299(1) should be amended to add police, fire, library and school facilities to the list of capital improvements for which local jurisdictions may collect impact fees and system development charges.

ADOPTED by the Metro Council this _____ day of _____________, 2000.

____

David Bragdon, Presiding Officer

Approved as to Form:

____

Daniel B. Cooper, General Counsel

STAFF REPORT

CONSIDERATION OF RESOLUTION NO. 00-2954, FOR THE PURPOSE OF URGING AMENDMENT OF ORS 223.297, ET. SEQ. RELATING TO IMPACT FEES AND SYSTEM DEVELOPMENT CHARGES TO INCLUDE FACILITIES FOR POLICE, FIRE LIBRARIES AND SCHOOLS

Date: May 26, 2000 Prepared by: Michael Morrissey

Proposed Action: Resolution 00-2954 requests state legislative action to revise state law, with regard to expanding the definition of facilities on which system development charges may be imposed by governmental units. The purpose is to allow local communities to have the ability to allocate the costs of growth to new users of facilities, rather than averaging the costs among existing users, i.e. taxing existing residents to subsidize new growth..

Factual Background and Analysis: State law, with regard to the imposition of system development charges by governmental units, is encoded in ORS 223.297 through 223.314, SYSTEM DEVELOPMENT CHARGES. The policy section 223.297 establishes that system development charges may only be used for capital improvements. Later sections explicitly exclude the use of systems development charges for operations and maintenance.

Resolution 00-2954 seeks to alter section 223.299 "Definitions" to add police, fire, libraries and schools to the list of allowable capital expenditures eligible for system development charges: water supply, treatment and distribution; waste water collection transmission treatment and disposal; drainage and flood control; transportation; parks and recreation.

Information published by the Homebuilders of Metropolitan Portland in April of 1998 shows system development charges for 18 of the 24 cities in Metro's jusisdiction. Charges for a 3 bedroom 2 bath home ranged from $1,325 in Gladstone to $9,063 in West Linn for 1997.

With regard to schools, for example, not currently eligible for system development charges, Appendix E to "Growth and its Impacts on Oregon—A report from Governor Kitzhaber's Tasl Force on Growth in Oregon" (1999) states, "There is plenty of evidence that the capital costs for schools (K-12) is on the order of $10,000 to $20,000 per pupil." Later the statement goes on to say that "Sooner or later incremental growth will use excess capacity for other services as well: eventually it will contribute to the need for a new police or fire station, library, park... as well as other general government plant and equipment."

Existing Law: ORS 223.297 through 223.314

Budget Impact: None for Metro's budget relative to this resolution. Should the legislature add items eligible for system development fees as recommended in this resolution, the budget impact for local governments could significantly improve their ability to pay the capital costs of new growth..

Agenda Item Number 9.1

Resolution No. 00-2955, For the Purpose of Approving an Agricultural Lease in the Clackamas River Greenway Target Area.

Executive Session Held Pursuant to ORS 192.660(1)(e). Deliberations with Persons Designated to Negotiate Real Property Transactions.

Metro Council Meeting
Thursday, June 22, 2000
Metro Council Chamber

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF APPROVING AN AGRICULTURAL LEASE IN THE CLACKAMAS RIVER GREENWAY TARGET AREA	)))	RESOLUTION NO. 00-2955 Introduced by Mike Burton, Executive Officer

WHEREAS, in July 1992, Metro completed the Metropolitan Greenspaces Master Plan which identified a desired system of natural areas interconnected with greenways and trails; and

WHEREAS, at the election held on May 16, 1995, the Metro area voters approved the Open Spaces, Parks and Streams Bond Measure (Measure 26-26) which authorized Metro to issue $135.6 million in general obligation bonds to finance land acquisition and capital improvements; and

WHEREAS, Measure 26-26 provided that lands acquired by Metro with the regional share of the bond funds would be "landbanked" with minimal maintenance, and no bond funds can be legally used for any operating expenses on these lands; and

WHEREAS, on April 11, 1996, the Metro Council adopted a refinement plan for the Clackamas River Greenway regional target area, which included a confidential tax-lot specific map identifying priority properties for acquisition; and

WHEREAS, on October 14, 1999, Metro entered into a purchase and sale agreement to acquire approximately 94 acres on the north bank of the Clackamas River between Carver and Barton (the Property) owned by James Calcagno; and

WHEREAS, a condition of the purchase and sale agreement is the execution of an Agricultural Lease, in substantially the form attached to this Resolution as Exhibit A, with Cal Farms, LLC, owned by Mr. Calcagno, which will encumber 50 acres of the Property and includes an accessory farm dwelling (the "Leased Property"); and

WHEREAS, the term of the Agricultural Lease is 10 years and the rate is determined by an appraiser for the tillable acreage being leased with provisions for rate adjustments; and

WHEREAS, Metro Council approval is needed for the Executive Officer to be authorized to enter into leases for a term of more than one year; and

WHEREAS, the Agricultural Lease requires that the Leased Property be managed in compliance with all applicable laws and regulations and in a way that will not cause unusual and excessive erosion and water runoff from the Leased Property or pollution to the water resources of the surrounding area from the Leased Property; now therefore,

BE IT RESOLVED,

That the Metro Council approves and authorizes the Metro Executive Officer to execute the Agricultural Lease with Cal Farms, LLC for a term of ten (10) years as provided in the Agreement of Purchase and Sale between Metro and Seller, in substantially the form attached as Exhibit A.

ADOPTED by the Metro Council this __________ day of ____________________, 2000.

____
David Bragdon, Presiding Officer

Approved as to Form:

____
Daniel B. Cooper, General Counsel

AGRICULTURAL LEASE

By this Lease made this _____ day of ________________, 2000, between Metro, a municipal corporation and political subdivision of the State of Oregon, located at 600 NE Grand Avenue, Portland, OR, 97232 ("Lessor") and Cal Farms, LLC, an Oregon Limited Liability Company located at 17031 S. Clackamas River Drive, Oregon City, OR, 97045 ("Lessee").

In consideration of the covenants and agreements hereinafter set forth, the parties agree as follows. The following terms, conditions, covenants, and agreements are each material to the execution of this Lease, and violation of any of the following shall constitute a breach of the Lease and be grounds for default, as set forth herein:

1. <u>DESCRIPTION OF LEASED PREMISES</u>. Lessor leases to Lessee the following described premises consisting of approximately 50 tillable acres in the eastern portions of Tax Parcels R23E17 01502 , 01503, and 1600, containing that portion of the property currently being farmed ("Leased Premises"). The Leased Premises are described in Exhibit 1 attached hereto, and more particularly illustrated on the map attached hereto as 1-a. The Leased Premises includes the caretaker residence, barn, and outbuilding located on the property as shown on Exhibit 1-a.

2. <u>TERM OF LEASE</u>. The term of this Lease shall be approximately ten (10) years, beginning June 3,2000, and terminating November 15, 2010.

3. <u>AGRICULTURAL RENT</u>: Lessee shall pay rent for the Leased Premises on a per tillable acre per year basis, based on the rate of $ 125 acre. The sum of rent for this lease year is $6,250. The parties agree that for purposes of rental calculation, there are FIFTY (50) tillable acres on the Leased Premises. Metro will take no action to reduce the tillable acres below 50 acres. Seller shall take no action to alter tillable acres, except upon express written authorization by Metro. The rent is due for the first year in advance at the Closing. Thereafter, the yearly rental shall be due and payable on the anniversary date of this Lease.

4. .<u>PROVISION FOR YEARLY ADJUSTMENT OF RENT</u>. The rental rate per tillable acre shall be adjusted each year in an amount equal to any increase in the Consumer Price Index - seasonally adjusted. The rental rate shall also be adjusted at year 5 of the Lease term based on a reappraisal of the Leased Premises. The cost of the reappraisal shall be split by both parties and the rental rate readjusted accordingly.

5. <u>LESSOR'S USE OF ROAD THROUGH LEASED PROPERTY</u>. Lessor reserves the non-exclusive right to use the road from Highway 224 over the Leased Premises for any

purpose whatsoever, and Lessee shall in no way obstruct or restrict Lessor's access to its remaining property.

6. <u>MANNER OF FARMING AND CONSERVATION LAWS</u>. Lessee shall farm, cultivate, maintain and operate the Property consistent with the standard agricultural practices employed by the farming industry in the area where the Property is located. Lessee shall use and occupy the Leased Premises for cropland. Lessee shall refrain from practices that will cause unusual and excessive (a) erosion and water runoff from the Property or (b) pollution to the water resources of the surrounding area from the Property. Lessee shall maintain the Property in compliance with all federal, state and other governmental laws, regulations and directives.

7. <u>CARETAKER RESIDENCE/ COMPLIANCE WITH OREGON RESIDENTIAL LANDLORD AND TENANT ACT AND OTHER APPLICABLE LAW.</u> The Leased Premises includes a Caretaker Residence, in which Lessee would like to house one of Lessee's employees while engaged in the agricultural business on the Leased Premises. Lessee hereby warrants and represents that it will not lease or rent out the Caretaker Residence, and that no one shall occupy the Caretaker Residence, other than Lessee or one of Lessee's full-time employees who is engaged in the agricultural business on the Leased Premises, and whose employment is conditioned upon employment in and about the Leased Premises. Lessee further warrants and represents that it will maintain the Leased Premises, including the Caretaker Residence, in a safe, sanitary, and habitable condition, in full compliance with all applicable federal, state and local laws and regulations, including but not limited to the Oregon Residential Landlord and Tenant Act, ORS Chapter 90 and applicable portions of Chapter 91. Lessee shall provide Lessor with the name and employment status of anyone occupying the Caretaker Residence. Lessee shall, at Lessee's sole cost and expense, promptly make all repairs and provide maintenance on the Caretaker Residence necessary to keep the premises in a safe, sanitary, and habitable condition. Lessor shall be entitled to enter and inspect the Caretaker Residence at reasonable times upon 24 hours' notice, or as otherwise provided by law.

8. <u>COMPLIANCE WITH LAW AND HAZARDOUS MATERIALS/INDEMNIFICATION</u>.

(a) Lessee, at Lessee's expense, shall comply with all laws, rules, order, ordinances, directions, regulations, and requirements of federal, state, county and municipal authorities pertaining to Lessee's use of the Property, and with all recorded covenants, conditions, and restrictions, regardless of when they become effective. These include, without limitation, any required alteration of the Property because of Lessee's specific use, and all applicable federal, state, local laws, regulations or ordinances pertaining to air and water quality, Hazardous Materials as defined in Section (d) below, waste disposal, air emissions and other environmental matters, and all zoning and other land use matters.

(b) Lessee shall not cause or permit any Hazardous Material to be brought upon, kept, or used in or about the Property by Lessee, Lessee's agents, employees, contractors, or invitees without the prior written consent of Lessor, which shall not be unreasonably withheld as long as Lessee demonstrates to Lessor's reasonable satisfaction that such Hazardous

Material is necessary to Lessee's business and will be used, kept, and stored in a manner that complies with all laws regulating any such Hazardous Materials brought upon or used or kept in or about the Property. Prior written consent of Lessor for use of petroleum products normally used in farming operations, such as gasoline or diesel fuels, is not required.

(c) Lessee shall indemnify, defend, and hold Lessor harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including without limitation, diminution in value of the Property, damages for the loss or restriction on use or rent of the Property, damages arising from any adverse impact on marketing of the Property, and sums paid in settlement of claims, attorney fees, consultant fees, and expert fees) that arise during or after the lease term due to contamination by Hazardous Materials as a result of Lessee's use or activities or of Lessee's agents or contractors. This indemnification of Lessor by Lessee includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal or restoration work required by any federal, state, or local governmental agency or political subdivision because of Hazardous Materials present in the soil or groundwater or under the Property. Without limiting the foregoing, if the presence of any Hazardous Material on the Property caused or permitted by Lessee or Lessee's agents or contractor results in any contamination of the Property, Lessee shall promptly take all actions at Lessee's sole expense as are necessary to return the Property to the condition existing prior to the release of any such Hazardous Material onto the Property, provided the Lessor's approval of such action shall first be obtained, and approval shall not be unreasonably withheld, as long as such actions would not potentially have any material adverse long- or short-term effect on the Property. The foregoing indemnity shall survive the expiration or earlier termination of this Lease.

(d) As used in this Lease, the term *Hazardous Material* means any hazardous or toxic substance, material, or waste, including, but not limited to, those substances, materials, and wastes listed in the United States Department of Transportation Hazardous Materials Table (49 CFR §172.101), or by the United States Environmental Protection Agency as hazardous substances (40 CFR pt 302) and amendments thereto; ORS Chapter 465; petroleum products or other such substances, materials and wastes that are or become regulated under any applicable local, state or federal law.

9. CHEMICALS AND FERTILIZERS. It is understood that chemicals and fertilizers may be necessary to produce the highest financial returns from the Property. Subject to the limitations in Section 8 above, chemicals and fertilizers may be used by Lessee, if necessary, so long as their use does not cause significant environmental degradation to the land leased hereunder and the waters of the surrounding area. At the beginning of the Lease, Lessee shall provide Lessor with a list of all chemicals and fertilizers Lessee anticipates using during the term of the Lease. Change in farming practices and use of chemicals and fertilizers outside of the tillable area shall be made only with the approval of the Lessor, such approval not to be unreasonably withheld.

10. CONDITION OF THE PREMISES AT TERMINATION/REMOVAL BY LESSEE. At the termination of this Lease, Lessee shall remove or cause to be removed from the Property, at Lessee's expense, any and all livestock and other animals, equipment, vehicles, personal property, and/or trash, rubbish, debris or waste unless otherwise agreed to in writing by Lessor. Lessee shall have also completely shut down, decommissioned, and terminated all farming operations, in compliance with all applicable laws and regulations. At the termination of this Lease, the entire Leased Premises must be vacant and ready for exclusive possession by Lessor.

11. ENVIRONMENTAL EXIT AUDIT AND REMEDIATION. Approximately 30 days prior to termination of the Lease an independent environmental exit audit shall be engaged by Lessee and Lessor at Lessor's and Lessee's joint expense to determine the presence of hazardous substances on or about the Leased Premises ("Exit Audit"). The Exit Audit shall be performed in accordance with the ASTM standards for conducting Phase One Environmental Assessments, and Phase Two assessments if deemed appropriate by the testing entity and agreed upon by Lessor and Lessee. Lessor and Lessee shall have the right to approve the Exit Audit procedures and the company or individual conducting the audit, and shall be given a copy of the audit. Lessee's liability for remediation of any hazardous substance release or violation of environmental laws revealed by the Exit Audit shall be determined by Section 8 of this Lease and any remediation shall be performed in accordance with all applicable environmental laws. In the event this Lease terminates unexpectedly for any reason, Lessor and Lessee shall cause the Exit Audit to be conducted, in a manner acceptable Lessor and Lessee as described above, within thirty (30) days of the actual termination of this Lease. Following termination of this Lease, Lessor shall grant access to Lessee and its agents to perform any remediation required by Section 8.

12. USE OF LEASED PREMISES. Lessee shall use the Leased Premises solely for agricultural purposes. Lessee shall maintain the Leased Premises in good condition and shall not commit, permit, or suffer waste to the Leased Premises. Lessee shall maintain all of the buildings and improvements on the Leased Premises in as good a condition and repair as they were at the commencement of this Lease, reasonable wear and tear excepted.

13. IRRIGATION. Lessee shall have access to Richardson Creek or Clackamas River for irrigation purposes at the same location the electrical service for the pump currently exists. During the term of this Lease, Lessee shall cooperate on a reasonable basis to ensure maintenance of the Property's water rights. Lessee shall be responsible for all water costs as used by the Lessee. Lessor assumes no responsibility to Lessee for any water shortage, nor does Lessor warrant the quality or quantity of the water available to the Property. Lessee shall be responsible for maintenance, repair and replacement of the Lessee's irrigation equipment on the Property.

14. WATER RIGHTS. Certain water rights of approximately 18 acres run with the Property plus a quantity of water for a pond on the Property, and are identified as Certificate No.10878 ("Metro's Water Rights"). Lessee represents, warrants and agrees to maintain

and use these water rights throughout the term of this Lease on the Leased Premises. All water rights appurtenant to the property shall be used exclusively on the Leased Premises. Lessee and Metro agree, pursuant to the Agreement of Purchase and Sale, section 6, between Lessee and Metro regarding the Property, that approximately 17 acres of water rights acquired from Wade and Corinne Newbegin, identified as Transfer No. T8053 from rights in Certificate No. 40753, and other certain water rights for approximately 20.66 acres, acquired from Mr. Vandeberghe, identified as Transfer 7676 Special Order, Volume 52, Page 56 from rights in Certificate No. 32261, will be retained by Lessee and will be transferred to Lessee from the Property at the termination of this Lease at Lessee's sole cost, risk and expense ("Lessee's Reserved Water Rights"). Metro will cooperate with Lessee, at Lessee's expense, to transfer said Newbegin/Vandeberghe water rights to downstream real property owned or leased by Lessee. Lessee bears the risk that such transfer of water rights may be denied by the applicable authorities and such denial shall in no way effect the Lease or the terms set forth herein.

15. <u>BUFFER AREA/NO ALTERATIONS TO PROPERTY</u>. Lessee shall not alter the Property in any way and shall use the Property solely for agricultural purposes set forth herein. Lessee shall not cut any trees or reduce the buffer area between the tilled portion of the Property and the riparian area adjacent to the Clackamas River.

16. <u>LIENS.</u> Lessee shall pay when due all claims for work done on the Property, and for services rendered or material furnished to Lessee to grow Lessee's crops on the Property or incurred for Lessee's repair responsibilities for the Property and improvements; and Lessee shall keep the Property free of any liens.

17. <u>MAINTENANCE OF THE PROPERTY</u>. Lessee shall not make any additions or alterations to the premises without Lessor's written consent obtained in each instance except that Lessee can erect fencing as necessary to protect the cropland and pasturage hereby leased. Any additions or improvements made by Lessee at his expense and fencing must be removed by Lessee at or prior to termination of this lease.

18. <u>NO SUBLEASING OR ASSIGNMENT</u>: Lessee will not sublet the premises nor any part thereof, nor transfer or assign this lease without obtaining advance written consent of Lessor in each case, which consent shall be granted or withheld in Lessor's sole discretion. Any use of the leased premises by an assignee or sub-lessee shall be for cropland only. Lessee shall not permit any transfer, by operation of law, of the interest in said premises acquired through this lease. Lessor retains the right to transfer the premises leased hereunder and shall have the option to assign this lease to the transferee.

19. <u>ACCESS</u>: Lessee will allow Lessor access to the Leased Premises as necessary to insure compliance with the lease agreement and where it does not interfere with normal farming operations. Lessor is liable for any damages to the Property or the Lessee's crops that result from the Lessor's entry into the Property.

20. <u>TERMINATION AND DEFAULT</u>:

(a) Termination by Mutual Consent. This lease may be terminated by mutual consent. Where termination of the lease is by mutual consent and not due to violation of covenants and agreements set forth herein, Lessee shall have the right to harvest any crops planted at the time of agreement of termination.

(b) Termination by Notice from Lessee. This lease may be terminated with six month's advance written notice from Lessee. All other terms and conditions set forth herein shall remain in effect during the six month notice period.

(c) Termination by Lessee's Default. The following shall be events of default: (i) Failure to pay the rent when due; (ii) Dissolution, termination of existence, insolvency, business failure, discontinuance as a going business, or commencement of any proceedings under any bankruptcy or insolvency laws by or against Lessee; (iii) Abandonment by the Lessee of the Leased Premises; (iv) Failure of Lessee to comply with any of the terms, conditions, covenants and agreements set forth herein, or failure to fulfill any other obligation of the Lease within thirty 30 days after written notice by Lessor specifying the nature of the default with reasonable particularity. Lessee shall have the ability to diligently commence a cure within 30 days of notice from Lessor. If such default remains uncorrected after thirty (30) days written notice thereof from Lessor, Lessor may re-enter the premises or any part thereof and remove Lessee or anyone claiming under Lessee in addition to any other remedies Lessor may have.

21. AS IS CONDITION OF THE PREMISES: The Lessee is fully familiar with the physical condition of the leased property. The Lessee is solely responsible for and shall pay for all costs of material, labor, equipment, utilities, and other expenses necessary to farm the Leased Premises, to raise crops, and to maintain all buildings and improvements. The Lessor has made no representations of any nature in connection with the condition of the leased property or its suitability for cultivation. Lessee accepts the Leased Premises, caretaker residence, and improvements included in this Lease in their present condition, AS IS.

22. INDEMNIFICATION: In addition to the environmental indemnification set forth above, Lessee shall also indemnify, defend and hold Lessor harmless for, from, and against any and all claims, demands, costs, expenses, losses, causes of action, or liabilities arising out of or relating to any activity of Lessee or Lessee's agents, employees, invitees, or occupants on the Property.

23. INSURANCE. Before going into possession of the Property, Lessee shall procure, and during the term of this Lease shall continue to carry public liability and property damage insurance, naming Lessor as an additional insured, with liability limits of not less than $500,000 for injury to persons or property in one occurrence. Such insurance should be provided by an insurance carrier reasonably acceptable to Lessor. Lessee shall deliver to Lessor certificates evidencing such insurance with an endorsement requiring 10 days' notice to Lessor prior to the cancellation of such insurance coverage.

24. GENERAL COOPERATION: Lessor will cooperate with Lessee in providing information to the appropriate agencies managing cost-share and other farm management programs that may benefit the Lessee in conducting farming operations on the Property.

25. NOTICES: Notice from one party to the other shall be deemed to have been properly given if mailed by first class or certified mail, postage prepaid, to the other party at the respective addresses which appear in this lease.

26. SEVERABILITY: If any provision of this lease or portion of such provision or the application thereof to any person or circumstance is held invalid, the remainder of the lease (or the remainder of such provision) and the application thereof to other persons or circumstances shall not be affected thereby.

27. FURTHER ACTIONS OF LESSOR AND LESSEE. Metro and the Seller agree to execute all such instruments and documents and to take all actions pursuant to the provisions of this Lease.

28. ENTIRE AGREEMENT. This Lease (including any exhibits attached to it) is the final expression of, and contains the entire agreement between, the parties with respect to the subject matter of the Lease and supersedes all prior understandings with respect to it. This Lease may not be modified or terminated, nor may any obligations under it be waived, except by written instrument signed by the party to be charged or by its agent duly authorized in writing or as otherwise expressly permitted here.

29. TIME OF ESSENCE. The Lessee and Lessor hereby acknowledge and agree that time is strictly of the essence with respect to every term, condition, obligation, and provision.

30. WAIVER: The waiver of one breach of any term, condition, covenant, obligation or agreement of this lease shall not be considered to be a waiver of that or any other term, condition, covenant, obligation or agreement or of any subsequent breach thereof.

IN WITNESS WHEREOF, the parties hereto have executed this instrument the day and year first above mentioned.

METRO

____
Mike Burton, Executive Officer

CAL FARMS, LLC

BY:______________________________ BY:______________________________

Its______________________________ Its______________________________

Exhibits:
Exhibit 1 Legal Description of Leased Premises
Exhibit 1-a Map of Leased Premises

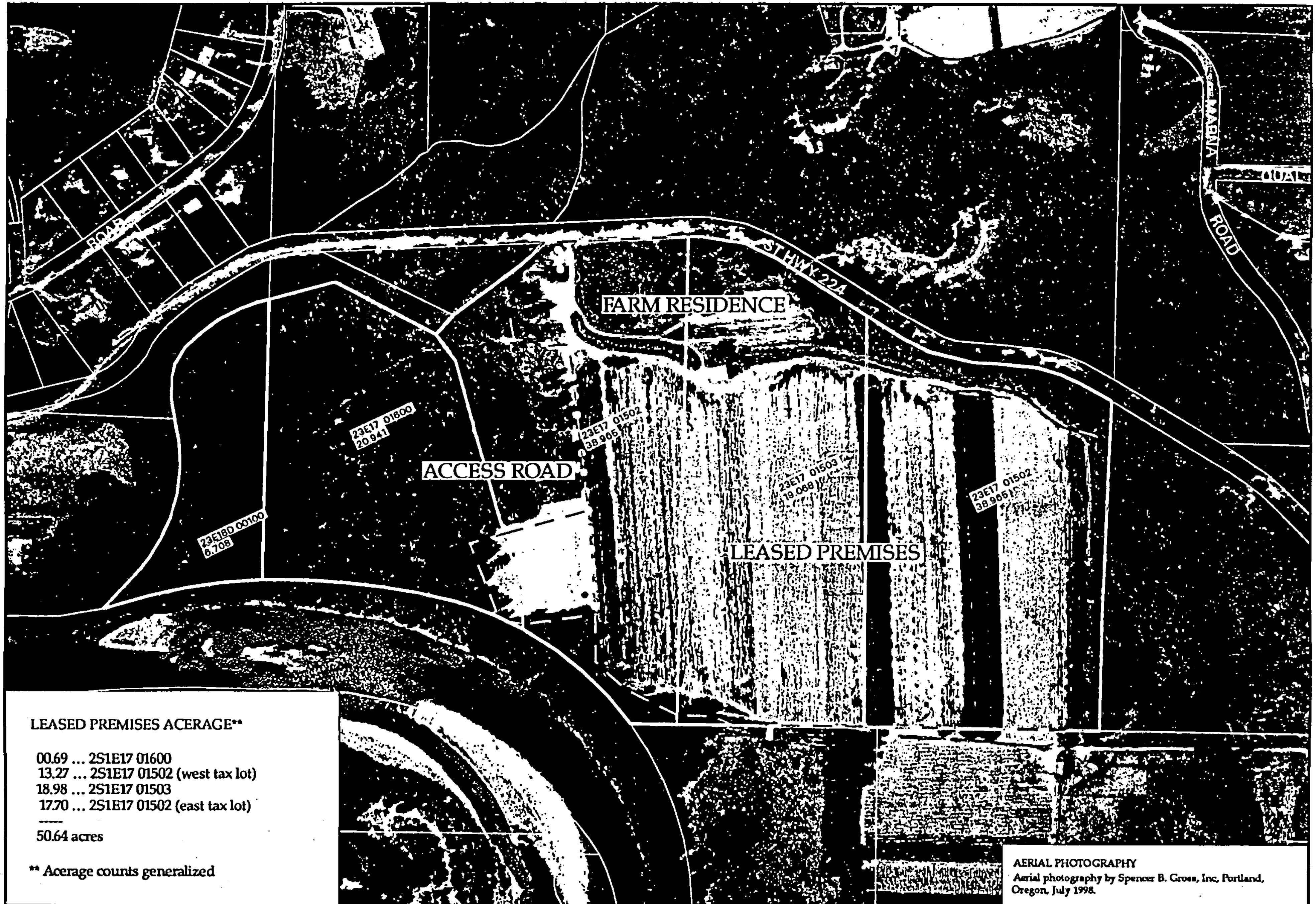
AGRICULTURAL LEASE
EXHIBIT 1

Leased Premises Acreage

Clackamas County, Oregon

2S1E17 01600...... .69 acres
2S1E17 01502....... 13.27 acres (west tax lot)
2S1E17 01503........18.98 acres
2S1E17 01502.........17.7 acres (east tax lot)

Total .... 50.64 acres



LEASED PREMISES ACERAGE**

00.69 ... 2S1E17 01600
13.27 ... 2S1E17 01502 (west tax lot)
18.98 ... 2S1E17 01503
17.70 ... 2S1E17 01502 (east tax lot)

50.64 acres

** Acerage counts generalized

AERIAL PHOTOGRAPHY
Aerial photography by Spencer B. Gross, Inc. Portland, Oregon, July 1998.

KEY
Properties of Interest
Leased Portion of Properties

Metro Open Spaces, Parks & Streams Bond Measure:

Calcagno Property and Vicinity

Exhibit 1-A

Scale: 1" = 400'
0 200 400

METRO

Staff Report

CONSIDERATION OF RESOLUTION NO. 00-2955 FOR THE PURPOSE OF APPROVING AN AGRICULTURAL LEASE IN THE CLACKAMAS RIVER GREENWAY TARGET AREA

Date: May 25, 2000 **Presented by:** **Charles Ciecko**
Jim Desmond

Proposed Action

Resolution No. 00-2955 requests authorization for the Executive Officer to execute an agricultural lease between Metro as the Lessor, and Cal Farms, LLC, as the Lessee, for a term of 10 years ("Agricultural Lease").

Existing Law

Metro Council Resolution 97-2483 authorized the Metro Executive Officer to execute future leases of Metro real property when such leases:
a) relate to the acquisition of an Open Spaces parcel;
b) contain a term of no more than one year; and, for any agricultural leases, may contain the option for renewal at the discretion of the Metro Executive Officer; and
c) provide for lease payments of not more than $2,000 per month.
The proposed Agricultural Lease is for a term of 10 years and therefore must be approved by the Metro Council.

Background and Analysis

Metro executed a purchase and sale agreement on October 14, 1999, to acquire approximately 94 acres on the Clackamas River from James E. Calcagno, as indicated in Attachment A (the Property). The Property is a Tier 2 acquisition under the Clackamas River Greenway Target Area Refinement Plan adopted on March 21, 1996, under Resolution No. 96-2308, and is scheduled to close on or before June 30, 2000 so long as remaining contingencies are met. As part of the Agreement, Mr. Calcagno requires that he lease back 50 tillable acres plus an accessory farm dwelling (the Leased Property) for a term of 10 years, in the name of Cal Farms, LLC, which is owned by Mr. Calcagno. The proposed Leased Property is currently being farmed by Mr. Calcagno, primarily for vegetables. The approximate 44-acre remainder of the Property, not the subject of the lease, will be landbanked by Metro after closing. Richardson Creek, an important fishbearing stream, traverses this 44-acre portion before draining into the Clackamas River.

The purchase and sale agreement is conditioned upon Metro's agreement to lease the Leased Property to Cal Farms, LLC at closing.

Typically in the market, agricultural leases tend to be multi-year leases so that the farmer may plan for crop rotation, including years where nothing is grown to allow the soil to recover minerals. In addition, expenditures in soil amelioration practices may take several years to recoup the investment. This was recognized by the Metro Council in Resolution No. 97-2483: "For the Purpose of Authorizing the Executive Officer to Execute Current and Future Leases Related to Metro's Open Spaces Property Acquisitions." Although that resolution did give the

Executive Officer the authorization to enter into agricultural leases with options for renewal at the Executive Officer's discretion, it did not give the Executive Officer the authorization to enter into leases whose with a term of more than one year. From the beginning of this long negotiation, the seller has insisted on a fixed agricultural lease term of 10 years.

In order to close on the Property and approve the 10-year lease of real property, it is necessary for the Metro Council to authorize the Executive Officer to execute the Agricultural Lease in substantially the form attached hereto as Attachment A.

Findings

Authorization of the Executive Officer's execution of the Cal Farms, LLC lease is recommended based on the following:

- The Clackamas River Greenway Target Area Refinement Plan includes the following among its objectives:

  "Provide river access at designated points."

  "Acquire continuous blocks of riparian corridor to support wildlife, fish, water quality, scenic and recreational values."

Closing on the Property and subsequent execution of the Agricultural Lease serves these objectives:

- The Agricultural Lease will not block river access or destroy the habitat value of the overall site.

- The Agricultural Lease is an acceptable encumbrance upon the Property because it continues the current and historical use of the Property. The lease does not prevent or impair riparian land management and restoration, and by accepting the lease as a term of the purchase, Metro facilitates the acquisition of this Tier 2 property.

- Important acquisition objectives of the Clackamas River Greenway Target Area Refinement Plan will be fulfilled, as described above, if this acquisition is completed. The 44-acre portion of the Property has one-third of a mile of Clackamas River frontage, and a one-third mile stretch of Richardson Creek.

- A provision of the Agricultural Lease mandates that an environmental audit will be performed before the termination of the lease, and any remediation necessary under applicable laws as a result of Lessee's use or activities will be conducted by the Lessee.

Budget Impact

The Agricultural Lease will provide Metro with $6,250 in income for the first year, and will be adjusted to an index each year thereafter. Metro's management and landbanking costs will be less as a result of leasing out a portion of the Property.

Executive Officer's Recommendation

The Executive Officer recommends passage of Resolution No. 00-2955.

LEASED PREMISES ACERAGE**

00.69 ... 2S1E17 01600
13.27 ... 2S1E17 01502 (west tax lot)
18.98 ... 2S1E17 01503
17.70 ... 2S1E17 01502 (east tax lot)

50.64 acres

** Acerage counts generalized

KEY
Properties of Interest
Leased Portion of Propeties

Metro Open Spaces, Parks & Streams Bond Measure:
Calcagno Property and Vicinity

Scale: 1" = 400'
0 200 400

METRO

ATTACHMENT A RESOLUTION 00-2955

Agenda Item Number 9.2

Resolution No. 00-2949, For the purpose of authorizing the Executive Officer to Execute an Allocation, Joint Cooperation and Defense Agreement with the Port of Portland for the Willamette Cove Property.

Executive Session Held Pursuant to ORS 192.660(1)(e). Deliberations with Persons Designated to Negotiate Real Property Transactions.

Metro Council Meeting
Thursday, June 22, 2000
Metro Council Chamber

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AUTHORIZING THE EXECUTIVE OFFICER TO EXECUTE AN ALLOCATION, JOINT COOPERATION AND DEFENSE AGREEMENT WITH THE PORT OF PORTLAND FOR THE WILLAMETTE COVE PROPERTY	))))))	RESOLUTION NO. 00-2949 Introduced by Mike Burton, Executive Officer

WHEREAS, at the election held on May 16, 1995, the Metro area voters approved the Open Spaces, Parks and Streams bond measure (Ballot Measure 26-26) which authorized Metro to issue $135.6 million in general obligation bonds to finance land acquisition and capital improvements; and

WHEREAS, on January 18, 1996, via Resolution 96-2266, the Metro Council authorized the purchase of the 27-acre Willamette Cove property ("the Property") on the east bank of the Willamette River which had been under option to The Trust for Public Land and identified in the bond measure Fact Sheet 4 as one of the "option" sites; and

WHEREAS, on February 28, 1996, Metro purchased the Property using Open Spaces, Parks and Streams bond funds; and

WHEREAS, on January 29,1999, DEQ, as part of its examination of properties throughout the Portland Harbor, notified Metro that the Property would be listed as a confirmed release site; and

WHEREAS, DEQ and Metro identified the Port of Portland (the Port) as a responsible party on the site as a past owner and operator of the site; and

WHEREAS, the United States Environmental Protection Agency (EPA) indicated in early April 2000 that it will list the Portland Harbor stretch of the Willamette River as a federal Superfund site; and

WHEREAS, on December 1, 1999 and again on May 19, 2000, DEQ notified Metro and the Port that DEQ was requesting that Metro and the Port execute a Voluntary Agreement for Remedial Investigation and Source Control Measures for the Willamette Cove property, and that enforcement action would follow if such agreement with DEQ is not entered into; and

WHEREAS, additional work will likely be required by either DEQ, EPA, or both on the Portland Harbor, including the Willamette Cove site; and

WHEREAS, Metro and the Port share common interests in conducting site work at the Property, including performing an environmental investigation, risk assessment, source control measures, feasibility studies, and remedial action; exchanging historical site information, and cooperating on an effective and efficient strategy for working with DEQ and EPA; and

WHEREAS, Metro's legal counsel has negotiated an Allocation, Joint Cooperation and Defense Agreement between Metro and the Port of Portland (the "Agreement"), which would authorize Metro and the Port to conduct activities and allocate costs relating to Willamette Cove, which Agreement shall be attorney-client privileged as it will be entered into in anticipation of litigation; and

WHEREAS, once the scope of work for the Site Work for the Property is set by DEQ or EPA, any such written agreement will be brought back to the Metro Council for final review and approval; and

WHEREAS, Metro wishes to fulfill its objectives related to protection of the ecological integrity of this important regional natural area and providing safe, future public access to the site as a public open space; now therefore

BE IT RESOLVED,

That the Metro Council authorizes the Metro Executive Officer to execute the Allocation, Joint Cooperation and Defense Agreement, as negotiated by Metro legal counsel.

ADOPTED by the Metro Council this __________ day of ____________________, 2000.

Approved as to Form:

____
David Bragdon, Presiding Officer

____
Daniel B. Cooper, General Counsel

Staff Report

CONSIDERATION OF RESOLUTION NO. 00-2949 FOR THE PURPOSE OF AUTHORIZING THE EXECUTIVE OFFICER TO EXECUTE AN ALLOCATION, JOINT COOPERATION AND DEFENSE AGREEMENT WITH THE PORT OF PORTLAND FOR THE WILLAMETTE COVE PROPERTY

Date: June 29, 2000

Presented by: Jim Desmond
Alison Kean Campbell

PROPOSED ACTION

Resolution No. 00- 2949, requests authorization for the Executive Officer to execute an Allocation, Joint Cooperation and Defense agreement (the "Agreement") with the Port of Portland (the "Port") for performing joint environmental testing, remediation, cost allocation and other matters related to the Willamette Cove property.

EXISTING LAW

Metro Code 2.04.026 (a) (2) requires that the Executive Officer obtain the authorization of the Metro Council prior to entering into certain agreements pursuant to ORS Chapter 190.

Metro Code 2.04.026 (a) (1) (D) requires that the Metro Council approve any contract for personal services for a term greater than 12 months and in an amount greater than $50,000. Metro's payment to the Port of Portland for Metro's share of personal services under the proposed agreement may exceed $50,000, but the exact amount cannot be determined at this time.

Metro Code 2.08.030(a) provides the Office of General Counsel with general control and supervision of all legal proceedings in which Metro may be interested. Pursuant to Metro Code 2.08.040 (a), the general counsel prepares documents concerning any matter in which Metro is interested, and reviews and approves all legally binding instruments. Metro Code 2.08.070 provides that the general counsel may employ outside legal counsel on behalf of Metro to handle such matters as the general counsel deems advisable.

BACKGROUND AND ANALYSIS

On February 28, 1996, Metro purchased from The Trust for Public Land, a 27-acre property in the Willamette River Greenway Target Area known as the Willamette Cove property (the "Property") with funds from the Open Spaces Parks and Streams bond measure. The Port of Portland ("the Port") is a former owner and operator of portions of the Property.

In 1997 the Oregon Department of Environmental Quality ("DEQ") and the U.S. Environmental Protection Agency ("EPA") conducted a study of a portion of the Willamette River known as the Portland Harbor, and discovered elevated levels of hazardous substances in sediments throughout the Portland Harbor. In April 2000 the EPA indicated that it will list the Portland

Harbor stretch of the Willamette River as a federal Superfund site. The division of responsibilities between DEQ and EPA has not been finalized yet, and it is possible that the EPA may take over responsibility for regulatory oversight of the entire Harbor, just the sediments portion, or just the uplands portion. There is also the possibility for joint lead between DEQ and EPA.

Pursuant to the harbor investigation, DEQ has recommended listing the Property in DEQ's confirmed release list and inventory. In addition, in December 1999 and again on May 19, 2000, DEQ issued notices to property owners along the Portland Harbor, including Metro and the Port, requesting that Metro and the Port execute a Voluntary Agreement for Remedial Investigation and Source Control Measures for Willamette Cove. DEQ's notice states that if Metro and the Port do not enter the voluntary program, that DEQ will begin preparation of a unilateral order.

Both Metro and the Port have engaged outside legal counsel to assist in the Willamette Cove Property and to respond to DEQ. Metro and the Port propose jointly entering into an Allocation, Joint Cooperation, and Defense Agreement negotiated by legal counsel to coordinate common defense activities such as the exchange of historical site information, retention of an environmental consultant, negotiation of the scope of additional site work with DEQ or EPA, and performance of the site work and other activities, in order to facilitate an effective strategy for responding to DEQ or EPA, or as applicable, other government agencies or private parties, and to allocate the cost of performing those activities.

FINDINGS

Authorization of the Executive Officer's execution of the Allocation, Joint Cooperation, and Defense Agreement with the Port is recommended based on the following:

- The Property is an important regional natural area and the ability to provide safe, future public access to the site as a public open space is a Metro objective.
- As potentially responsible parties for the site, Metro and the Port have shared common interests in conducting the site work, exchanging historical site information and cooperating on an effective and efficient strategy for working with DEQ/EPA.
- Metro has an interest in limiting its potential costs for site work at the Property and would be well served by partnering with other potentially responsible parties, such as the Port, with respect to the site.
- The Agreement will fulfill objectives related to the protection of the ecological integrity of the Property and the health and safety of the public.

BUDGET IMPACT

Metro and the Port would allocate costs as negotiated in the Allocation, Joint Cooperation, and Defense Agreement. By partnering with the Port, the budget impact related to costs associated with DEQ/EPA-required activities on Willamette Cove will be greatly reduced.

Executive Officer's Recommendation

The Executive Officer recommends passage of Resolution No. 00-2949.

Agenda Item Number 7.1

Removed from the agenda at the request of the Regional Environmental Management Department

Metro Council Meeting
Thursday, June 22, 2000
Metro Council Chamber

0622000-00

MINUTES OF THE METRO COUNCIL MEETING

June 15, 2000

Metro Council Chamber

Councilors Present: David Bragdon (Presiding Officer), Susan McLain, Ed Washington, Rod Park, Bill Atherton, Jon Kvistad and by telephone Rod Monroe

Councilors Absent: None

Presiding Officer Bragdon convened the Regular Council Meeting at 2:00 p.m.

1. INTRODUCTIONS

None.

2. CITIZEN COMMUNICATIONS

None.

3. EXECUTIVE OFFICER COMMUNICATIONS

None.

4. AUDITOR COMMUNICATIONS

None.

5. MPAC COMMUNICATIONS

Councilor Park said the main issue discussed was to be forward to Council. Dan Cooper, Legal Counsel, said there was a friendly amendment to delete a reference to amend the functional plan to require the Council to consider something in 2003, which was not the intention of the report and recommendation, simply that the Council would require itself to consider the matter in 2003. HTAC, on a 14:2 vote, approved recommending the plan be adopted by the Council.

6. CONSENT AGENDA

6.1 Consideration of minutes of the June 1, 2000 Regular Council Meeting.

Motion: **Councilor Kvistad** moved to adopt the meeting minutes of June 1, 2000 Regular Council meeting.

Seconded: **Councilor Park** seconded the motion.

Vote: The vote was unanimous. The motion passed.

7. ORDINANCES –SECOND READING

7.1 **Ordinance No. 00-847B,** For the Purpose of Adopting the Annual Budget for Fiscal Year 2000-2001, making appropriations, and levying ad valorem taxes, and declaring an emergency.

Motion: **Councilor McLain** moved to adopt Ordinance No. 00-847B.

Seconded: **Councilor Washington** seconded the motion.

Councilor McLain read prepared remarks urging adoption of Ordinance No. 00-847B. They are attached as a permanent part of this record.

Presiding Officer Bragdon opened a public hearing on Ordinance No. 00-847B. With no public testimony, he closed the public hearing.

Motion to Amend: **Councilor Monroe** moved to amend Ordinance No. 00-849B to include restoration of the funding for the federal lobbyist, in the amount of $15,000.

Seconded: **Councilor McLain** seconded the amendment.

Councilor Monroe said this was an especially important amendment as it pertained to lobbying efforts to obtain funding for the transportation needs of the area. Removing this budget item would be sending the wrong message to Senators Smith and Wyden. It was critical to obtaining funding for high priority transportation needs.

Councilor Kvistad asked which line item the funding came from. **Councilor Monroe** responded that it came from the General Reserve.

Motion to Amend: **Councilor Washington** moved to submit an amendment for consideration.

Seconded: **Councilor Kvistad** seconded the motion.

Councilor Washington said the issue was important, and that the $15,000 should not be taken from the general contingency. His amendment proposed to remove from the Council Office subscription and dues budget, $8,840 for National Association of Regional Councils (NARC) and restore those funds to the lobbyist contract, taking the balance of $6,160 from the general fund contingency. **Councilor Monroe** suggested that instead of eliminating the NARC dues, consideration should be given to examining the additional $30,000 provided in the Auditor's budget. **Councilor Atherton** asked if Councilor Monroe was aware of Councilor Washington's proposed amendment asking for the removal of $8,840 from dues and subscriptions. **Councilor Monroe** responded that he was not. **Councilor Atherton** sought middle ground by suggesting the use of the $8,840 from dues and subscriptions, and requesting Andy Cotugno to find the remainder in the Transportation budget. **Councilor Monroe** asked staff how the $15,000 would affect the reserves. **Dan Cooper**, Legal Counsel, clarified the term "reserves" as used by Councilor Monroe to mean "general fund contingency" which acts as a reserve for unexpected expenditures, technically called the contingency appropriation in the general fund. **Councilor Monroe** agreed with Mr. Cooper, and asked for the amount of the general fund contingency. **Jennifer Sims,** ASD Director, responded that the general fund contingency was $300,000, and about the same amount in unappropriated fund balance. **Councilor Atherton** again suggested the blending of subscriptions and dues funds. **Councilor Monroe** said the NARC funds had been substantially reduced to $8,840. He urged a no vote on Councilor Washington's substitution amendment. **Councilor McLain** supported the restoration of the lobbyist funding, and suggested the discussion and possible continuation of the NARC membership in the new budget season. **Councilor Washington** urged an aye vote.

Vote to
Amend: The vote was 6 aye/ 1 nay/ 0 abstain. The motion for substitution passed, with Councilor Monroe voting in opposition.

Councilor Monroe asked for clarification from Councilor McLain regarding the opportunity to revisit the NARC subscription item in the 2000-2001 budget year. **Councilor McLain** agreed.

Vote to
Amend: Ordinance No. 00-847B to include restoration of the funding for the federal lobbyist by using NARC dues and other funds, in the amount of $15,000 passed unanimously with a 7:0 vote.

Motion to
Amend: **Councilor Kvistad** moved to amend Ordinance No. 00-847B to include $25,000 to Regional Arts and Culture Council (RACC) to support the public funding of arts in the Portland Metropolitan region.

Seconded: **Councilor Washington** seconded the amendment.

Councilor Kvistad said restoring the RACC funding to the same level as last year, $25,000, would be an add-back that was prudent without adding anything as a line item to last year's budget. **Councilor Atherton** asked if examination of the POVA budget for the $25,000 had been made. **Councilor Kvistad** responded that there had been previous discussions about what pool of agency money this should come from, and was a bigger discussion to be held with MERC and POVA. He was in opposition to "un-funding" a previously funded group, but had not contacted POVA. **Councilor Atherton** stated that historically, we had funded RACC in the amount of $100,000. The current amendment requested one-quarter of the original funding, which might be considered un-funding. **Councilor Kvistad** responded that he felt it was imprudent to raise the level of funding beyond what was budgeted last year. The previous year the line item was for $100,000. **Councilor Monroe** inquired about the source of the $25,000 and **Councilor Kvistad** responded the general fund contingency. **Councilor Monroe** said he could support this amendment only at the expense of the extra money placed in the Auditor's budget.

Motion to
Amend: Councilor Monroe moved a substitute amendment to reduce the Auditor's budget by $25,000 and apply it toward RACC.

Seconded: **Councilor McLain** seconded the motion.

Councilor Monroe said at the Auditor's request an additional $30,000 had been placed in the budget. With the major decreases in budget, this was a place to shift funds. **Mr. Cooper** stated a technical point. Councilor Kvistad's motion was entirely within the general fund. Councilor Monroe's motion to substitute crossed fund lines because the Auditor's $30,000 is in the support services fund as an allocated cost, and the RACC appropriation would be a general fund expenditure. In the past, the Council had not used allocated funds out of support services for general fund items because then that charges back to federal transportation grants. Councilor Monroe's motion was not clear on the substitution of funds. **Councilor McLain** encouraged Councilor Monroe to withdraw his motion because of the technical issues raised by Mr. Cooper. If there is an issue regarding the Auditor's funding, it should be kept separate.

Motion Withdrawn: Councilor Monroe withdrew his motion to withdraw $25,000 from the Auditor's budget.

Mike Burton, Executive Officer, pointed out that the Council will have a sole source contract to RACC to manage about $75,000 of the arts portion of the new building facility.

Councilor McLain said she was unclear on the relationship between the Executive Officer's comment and the amendment Councilor Kvistad was offering. **Councilor Kvistad** said they were dissimilar. One is a contract being let by the Executive Officer for services to be rendered, the other had been the Council's traditional contribution to the on-going operations of RACC. Although they represent revenue to RACC, they are dissimilar. **Presiding Officer Bragdon** added that there will be a resolution in July pertaining to art in the Convention Center expansion, designating RACC as the contractor to procure the art.

Councilor Atherton said that for comparison purposes, the total POVA budget is about $5.6 million, with MERC/Metro's contribution of about $2.2 million. The POVA contract conversations seem not to have generated serious review of this issue. **Councilor Park** pointed out a budget note to be reviewed with regard to role determinations of POVA and RACC, and that by this review, the appropriate ratios will be determined. The POVA budget question of money generated through the hotel/motel tax left Councilor Park uncomfortable as to the exact extraction from one to the other in terms of what is used within that function and with other items being considered. He hoped for the adoption of the budget note to allow examination of that relationship.

Presiding Officer Bragdon restated the discussions on Councilor Kvistad's motion to restore $25,000 to RACC. He indicated he supported the motion. **Councilor Monroe** said that when the budget process had begun, guidelines had been established. One was that no amendment would be allowed before Council that had not been heard at committee. Was this amendment presented at committee? **Presiding Officer Bragdon** responded that under procedure, any issue can be raised at Council. The understanding had been that in terms of staff time and priorities for preparing reports, that priority would be given to first heard committee items.

Councilor Kvistad recommended an aye vote.

Vote to Amend: The vote was 5 aye/ 2 nay/ 0 abstain. The motion passed with Councilors Atherton and Monroe voting in opposition.

Motion to Amend: **Councilor McLain** moved to amend Ordinance No. 00-847B to include $13,000 for dues for the purpose of funding the Water Consortium.

Seconded: **Councilor Park** seconded the amendment.

Councilor McLain stated that a letter had been received by the Water Consortium asking that Metro's membership would be continued. A copy is attached as a permanent part of this record. Membership in this organization was important to our transportation and growth management related issues. **Councilor Park** said our membership was desired by the Consortium and fulfilled a Charter requirement. He said at this time he would support the amendment with the proviso that the relationship with the Consortium be further examined. **Councilor Kvistad** said he had been told of the importance of Metro's involvement in the Consortium and had reconsidered his previous vote to support this amendment. **Councilor Washington** said that Councilor McLain had encouraged him to support this amendment and he would.

Vote to Amend: The vote was 7 aye/0 nay/ 0 abstain. The motion was unanimously approved.

Motion to Amend **Councilor Washington** moved to amend Ordinance No. 00-847B to include a budget note proposing the Council to undertake a cooperative review during fiscal year 2000-2001 of the relationships between MERC, POVA, and RACC to determine the role that arts funding played in support of agency-managed facilities, tourism, and the livability of the region. The Council reaffirms past practice of providing appropriate public art in capital projects such as the currently-planned expansion of the Convention Center.

Seconded: **Councilor Kvistad** seconded the amendment.

Having previously touched upon this item, **Councilor Washington** urged an aye vote.

Vote to Amend: The vote was 7 aye/ 0 nay/ 0 abstain. The motion was unanimously approved.

Motion to Amend: **Councilor McLain** moved to make a technical amendment to Ordinance No. 00-849B by budget adjustment to include a consortium project in DRC and adding the contract to the annual contract list for FY 2000-2001.

Seconded: **Councilor Kvistad** seconded the motion.

Kathy Rutkowski, Financial Planning, said within the DRC of the Growth Management budget was a project for aerial photography. There are other participating governments with whom DRC works that need aerial photography, making the contract $113,000, with Metro receiving $89,000 from the other governments. Metro's share of the cost would be reduced to $24,000. This amendment recognized $89,000 in intergovernmental revenues raising the total appropriation to

$113,000, placing the net savings of $21,000 in the Growth Management contingency fund. At the end of the fiscal year, the remaining balance would be returned to the general fund. **Councilor McLain** supported this amendment as a proactive partnership benefiting Metro.

Vote to Amend: The vote was 7 aye/ 0 nay/ 0 abstain. The motion was unanimously approved.

Presiding Officer Bragdon addressed the FY 2000-2001 Budget Technical Adjustments next.

Motion to Amend: **Councilor McLain** moved the package of 10 technical amendments to Ordinance No. 00-849B.

Seconded: **Councilor Washington** seconded the motion.

Tony Mounts, Financial Planning Manager, introduced the technical amendments before the Council. There were also several adjustments to MERC's budget to better reflect the OCC capital expansion project, as well as the Hall D project. The funds that have been impacted for adjustment are: Planning Fund, General Revenue Bond Fund, MERC Pool Capital Fund, MERC Operating Fund, OCC Project Capital Fund, General Fund and Support Services Fund. Also, the M1 MERC budget amendment was presented as a revision to the document in the packet.

Mr. Mounts said he would not go into each individual amendment, but would take questions relating to them.

Councilor Atherton inquired about the source of funding for the T2, South Corridor Study Environmental Impact Statement grant fund increase. **Mr. Mounts** said it was a federal grant. **Councilor Atherton** asked where the funds would be going had they not been dedicated to the South Corridor Study. A response from the audience indicated they would remain with the Federal Government or be awarded to another metropolitan area in the country.

Motion: **Councilor Kvistad** requested each item be separated and dealt with individually.

Seconded: **Councilor Atherton** seconded the motion.

Councilor Kvistad asked they be taken individually as he was opposed to one and wanted to vote on it separately. **Councilor Park** suggested Councilor Kvistad amend his motion to only select and remove the one technical amendment that he was not going to support, so the others could be voted on together. **Councilor Kvistad** agreed and asked the Council to remove Item 10. **Presiding Officer Bragdon** heard no objections and separated the tenth item from the packet. He asked for discussion on the first nine budget technical amendments. There was none.

Vote To Amend: The vote was 7 aye/ 0 nay/ 0 abstain. The motion carried.

Presiding Officer Bragdon opened Item 10 for discussion. **Councilor Kvistad** stated opposition to this particular public service campaign. **Councilor Park** asked if the motion had been moved. **Presiding Officer Bragdon** agreed that it had.

Motion to Amend: **Councilor McLain** moved to amend Ordinance No. 00-849B to include Item 10 of the Budget Technical Amendments.

Second: **Councilor Park** seconded the motion.

Councilor McLain said Item 10 was important because it allowed Metro to do more public outreach as Goal 5 work was being finished and commitments completed to Title 3 and Functional Plan elements. MPACT and WRPAC among other groups are discussing communication and strategizing. More citizen notification and public involvement will be important in the future, and she supported this technical amendment. The Council did vote to approve the Communication Plan and this amendment would help support that effort.

Vote to Amend: The vote was 6 aye/ 1 nay /0 abstain. The motion carried with Councilor Kvistad voting in opposition.

Motion to Amend: **Councilor McLain** moved adjustment of the property tax levy consistent with the Tax Supervising and Conservation Commission (TSCC)'s instruction.

Seconded: **Councilor Atherton** seconded the motion.

Councilor McLain asked for recognition of the TSCC letter of June 8, 2000. The letter contained questions and responses and acknowledged the review. She felt very comfortable with the review and the staff response. **Ms. Rutkowski** said we were required to respond to the TSCC objection, which was at our request. The budget did not need to be adjusted, but the ordinance needed to be changed and it would be done by her department. **Councilor Park** added that this is the only portion that Metro has in property tax and is for the sole support of the Zoo.

Vote To Amend: The vote was 7 aye/ 0 nay/ 0 abstain. The motion was approved unanimously.

Presiding Officer Bragdon opened discussion of Ordinance No. 00-847B as amended.

Councilor Kvistad said there have been previous discussions about his concerns about long-term funding for the agency. He had hoped further strides could have been made to protect the agency and the public from future reductions. He had expressed his concerns over portions of the budget, and hoped there will be more conversations about the budget and the way the agency funded itself. He is opposed to this year's budget and will vote as such.

Councilor Atherton said he had enjoyed the participation and the budget process. The public had been able to witness the give and take that had occurred within the budget process. He did not share Councilor Kvistad's concern about long-term funding because he thought strides had been made in reviewing the needs and the consideration of new ideas for funding. He said the one idea that the Council had not been open to was the funding of growth and the subsidizing of it. The proposals he had submitted had been rejected, meaning he would have to vote no on this budget approval. Additionally, was the issue of unfunded mandates. His intention to stimulate discussion and focus on the clear problems of the unfunded mandate of 1997 HB 2463, which required Metro to add land to the urban growth boundary within two years. This, and possibly others, should have been paid for by the State, totally about $500,000 - $800,000 additional costs per year. He urged a no vote.

Councilor McLain thanked Councilors Atherton and Monroe, as well as the other councilors for their work throughout the budget season. There are unresolved issues that need more consideration and review as the agency moves forward into the new fiscal year. She urged passage of this budget.

Vote to Amend: The vote was 5 aye/ 2 nay/ 0 abstain, approving amendments to Ordinance No. 00-847B. Councilors Atherton and Kvistad voted in opposition.

7.2 **Ordinance No. 00-859,** Amending the FY 1999-00 Budget and Appropriations Schedule for the Purpose of Adopting a Supplemental Budget for the Fiscal Year Beginning July 1, 1999 and Ending June 30, 2000; and Declaring an Emergency.

Motion: **Councilor McLain** moved to adopt Ordinance No. 00-859.

Seconded: **Councilor Washington** seconded the motion.

Councilor McLain said this amendment pertained to the current budget. **Ms. Rutkowski** said on this supplemental budget for the current fiscal year, there were two items pertaining to this amendment. The first related to the MERC concessions contract. The new contractor was required to provide $1 million to MERC for concessions capital improvements. At the time the budget had been adopted, the contract had not been finalized. This action recognized that $1 million revenue contribution. The second action related to the Hall D construction project. At the adoption of the original budget, it was assumed that Metro would issue its own revenue bonds to pay for construction. Metro is now financing the project through an OEDD (Oregon Economic Development Department) loan, which required budgeting the loan in a different fund. The project is being moved from the MERC operating fund to the general revenue bond fund.

Presiding Officer Bragdon opened a public hearing on Ordinance No. 00-859. With no public testimony, he closed the public hearing.

Vote: The vote was 7 aye/ 0 nay/ 0 abstain. The motion carried.

7.3 **Ordinance No. 00-864,** For the Purpose of Amending the FY 1999-00 Budget and Appropriations Schedule by Transferring Appropriations from Contingency to Operating Expenses in the Zoo Operating Fund; and Declaring an Emergency.

Motion: **Councilor Washington** moved to adopt Ordinance No. 00-864.

Seconded: **Councilor Kvistad** seconded the motion.

Councilor Washington requested Cheri Yasami, Financial Planning Department, address this ordinance. **Ms. Yasami** said that in Councilor Washington's hand-out, it was stated that the $300,000 was from revenues. Actually, it was moved from contingency to materials and services.

Presiding Officer Bragdon opened a public hearing on Ordinance No. 00-864. With no public testimony given, Presiding Officer Bragdon closed the public hearing. **Councilor Washington** stated that these funds were being used for some unanticipated Zoo repairs, and urged an aye vote.

Vote: The vote was 7 aye/ 0 nay/ 0 abstain. The motion was approved unanimously.

7.4 **Ordinance No. 00-865,** For the Purpose of Amending the Regional Solid Waste Management Plan related to Disposal Facilities.

Motion: **Councilor Washington** moved to adopt Ordinance No. 00-865.

Seconded: **Councilor Park** seconded the motion.

Councilor Washington asked that Ordinance No. 00-865 be addressed together with Ordinance No. 00-866 and Ordinance No. 00-867. They were in committee together and should remain together. They dealt with the issue of transfer stations. Items involved were additional transfer station capacity, facility-type designations, new facility operational requirements and Metro enforcement. Doug Anderson, Waste Reduction, Planning and Outreach Division, and staff made a presentation, a copy of which is attached as a permanent part of this record.

Council McLain restated Mr. Anderson's last comment, that during committee, the administrator procedures - the general term for application procedures, regulatory inspection procedures, the forms and materials the applicant's would need to respond to, had the addition of a footnote including performance measures for the system. **Mr. Anderson** agreed that it had been discussed. **Councilor McLain** said it was important that the system was fully working. **Councilor Kvistad** said most of these rules had been in place for several years. He had a concern regarding transitioning the agency into being more of a regulator and less of a service provider, and how the private sector could be given more opportunities to compete within the system while protecting the current operators who have partnered with Metro for some time. If a way could be found to diffuse the bond on the transfer stations and vend them, moving toward a regulatory rather than competing effort would be healthy for our system.

Presiding Officer Bragdon opened a public hearing on Ordinance No. 00-865, 00-866, and 00-867.

Dean Kampfer, 5150 SW Alger, Beaverton, OR 97005, spoke representing Waste Management endorsed all three of the ordinances. The solid waste system in the region would be benefited.

Merle Irvine, General Manager of Willamette Resources, Inc., 10295 SW Ridder, Wilsonville, OR 97070 spoke in support of all three ordinances. It was an opportunity to expand the services in the area. Last year operations were under the 50 ton limitation. That was met and exceeded. It will become more of an issue in the year 2000. The moratorium on water and traffic had been lifted in Wilsonville, and with the new prison facility one mile away from their facility, an increase in tonnage was expected. It would serve new as well as existing customers and third-party haulers again. Passage of this ordinance would allow them to make an application to Metro and judge it on its merits. At least it gave them the opportunity to do so. He encouraged an aye vote.

Susan Keil, Manager of Industrial and Solid Waste, City of Portland, said she was a member of the sub-committee of SWAC and spent a year on this issue. She thanked Councilor Washington and the staff for the open process used to consider this issue. She felt that Metro had changed in the nine years she had been around. This was a classic example, examining what the system required, how to best accommodate both the providers and the customers needs. She supported all three-ordinances. They provided the best framework to look at what would provide the best service to the system and allow the best chance to correct the inequities that have been there for a long time. It did not benefit just Portland, but particularly Washington and East Multnomah County ratepayers. She thought that requiring 25% recovery at each facility was a great idea. A number of facilities was already doing so, but extended the opportunity to handle some of the recovery to more places. She cautioned Metro to ensure that there was a careful examination by Metro's regulatory and enforcement capabilities, for recovery and proper management of the facilities. She asked that Council pass it.

David White, Chair of Tri-County Council, supported all three of the ordinances. He noted some controversy by various individual companies of support of various aspects of the ordinances. They had supported the opportunity for a local transfer station that would direct haul to a disposal facility. He felt the 50k cap had restricted some access to these facilities. The move to allow regional transfer stations with over 50k tons of disposal went a long way to remedy that problem. A number of haulers felt that if Metro allowed this type of facility, then Metro should run the gatehouse. Then if Metro ran the gatehouse, the next step was for Metro to collect the money and disburse the funds. They did not want Metro doing that, so they supported the monitoring and enforcement that Metro had committed to; not only the recycling requirement, but by making sure that the code requirements for non-discriminatory rates were enforced.

Councilor Washington appreciated Ms. Keil's kind remarks. They were good to hear.

Presiding Officer Bragdon closed the public hearing.

Councilor McLain thanked Councilor Washington, SWAC, the witnesses who had come forward and Councilor Park. The witnesses' cheerful demeanor demonstrated their happiness with the process. Both the product and the process were equally important; the testimony was a compliment to a successful process. She supported all three ordinances. She noted that she was on the Council when it voted 7-6 for the Wilsonville transfer station.

Councilor Monroe assured the audience that he had been thoroughly briefed and was confident that these ordinances provided a good framework for reform.

Councilor Park appreciated the work done by the industry and staff to move these ideas ahead. The most highly impacted areas were his district and that of Councilor Monroe, as well as Councilor Atherton's district, to some extent. It was ironic that currently Metro was moving garbage from East County to Central in Oregon City and then back through East County to reach the Arlington landfill. In the future the garbage would only go through each county once, rather than twice. He urged an aye vote.

Councilor Washington said these issues had been in discussion for several years. He appreciated the fact that everyone had been able to get together to put something on the table, and that everyone had had the opportunity to participate in the process. It was a job for staff, but for the SWAC sub-committee and the people who testified it was an additional pressure on their time. He knew they were all extremely busy with their businesses, etc. and thanked they very much for their effort. Everything that has been accomplished would be revisited over time. He hoped that they would hold the Councils' feet to the fire if things did not develop as they expected. He noted Mr. Phelps non-verbal communication while Councilor Kvistad was speaking.

Vote: The vote was 7 aye/ 0 nay/ 0 abstain. The motion passed.

7.4 **Ordinance No. 00-866,** For the Purpose of Amending Metro Code 5.01 Related to Solid Waste Facilities.

Motion: **Councilor Washington** moved to adopt Ordinance No. 00-866.

Seconded: **Councilor Park** seconded the motion.

It was noted for the record that a public hearing had been called on Ordinance Nos. 00-865, 866, and 877 under the consideration of Ordinance No. 00-865 (see 7.4 agenda item.)

Vote: The vote was 7 aye/ 0 nay/ 0 abstain. The motion passed.

7.5 **Ordinance No. 00-867,** For the Purpose of Amending Metro Code Chapter 5.02 Related to Regional System Fee Credits and Making Other related changes.

Motion: **Councilor Washington** moved to adopt Ordinance No. 00-867.

Seconded: **Councilor Park** seconded the motion.

It was noted for the record that a public hearing had been called on Ordinance No. 00-865, 866, and 877 under the consideration of Ordinance No. 00-865 (see 7.4 agenda item).

Vote: The vote was 7 aye/ 0 nay/ 0 abstain. The motion passed.

7.7 **Ordinance No. 00-857B,** For the Purpose of Amending Metro Code Chapter 7.01 to Convert the Excise Tax Levied on Solid Waste to a Tax Levied Upon Tonnage Accepted at Solid Waste Facilities; and Making Other Related Amendments.

Motion: **Councilor Park** moved to adopt Ordinance No. 00-857B.

Seconded: **Councilor Washington** seconded the motion.

Councilor Park reviewed the components of this ordinance.

Terry Peterson, Director of REM, utilized slides to illustrate Councilor Park's comments. A copy of which has been attached as a permanent part of this record. He noted that the slides were labeled 857A, but the changes did not effect the slides.

Presiding Officer Bragdon opened a public hearing on Ordinance No. 00-857B.

Dan Schooler, Columbia Resource Company (CRC), said they operated two transfer stations in the Clark County area across the river. He asked that the Council consider amending the ordinance. If waste was recovered outside the Metro boundaries the tax credits would not apply. Currently there were three non-system licensed hauling companies that brought waste to CRC. He said that anything that they recovered would not qualify for these credits. He believed that facilities outside Metro boundaries that were processing Metro-generated waste should be entitled to these credits as recycling was listed as the number one item on the slides and the intention of the ordinance was to encourage recycling.

Councilor Park asked Marv Fjordbeck for counsel on out-of-state disposal.

Marv Fjordbeck, Senior Assistant Counsel, said with regard to CRC, they did not pay the tax now, the facility user paid the tax through their non-system license. There was no tax paid by facilities outside the Metro region, so no credit could be given. However, he understood there was interest from staff in finding some way to encourage the Vancouver facilities to recycle that would come forward in the near future.

Ralph Gilbert, ECR, supported the excise tax. He believed that it leveled the playing field, encouraged recycling and gave credits for recycling. It increased his rate, but gave back incentives through recycled property. He was very much in favor of the ordinance.

Doug Drennen, Grabhorn Inc, spoke in opposition to the ordinance. His facility would be the most greatly effected by this ordinance. He would have to increase the cost of service by over $130,000, thus changing his rate base. More importantly it would change the differential between him and his competition. The second item of concern was the recycling credits. He said as the ordinance was written Lakeside did not qualify for the tax credits. Lakeside was about a mile outside the Metro boundary; 95% of the waste coming into the facility came from inside the boundary. Grabhorn had a good track record on working with Metro on coordinating the solid waste system. In addition the landfill recycles 35,000 tons/year of both source separated and material that he recovered, or 4% of Metro's recycling goal. He respectfully requested that minimally his facility should receive tax credits to create more incentives for more materials recovery. He would like that issue included in the ordinance.

Councilor Athterton asked Mr. Drennen why he would not be available for a tax credit.

Mr. Drennen said he understood that the way the ordinance was written and the agreements at the facilities that Grabhorn was not covered by the tax credits and user fees. Councilor Park was supportive of looking at ways to accomplish this, but the current ordinance did not permit it.

Councilor Park said this was an issue he and staff wanted to look at. Both of these policy issues came up at the eleventh hour, but would address these as well as the Holland issue shortly.

Councilor McLain said she felt this was the next phase for Metro to keep up with the industry and explore the legal opportunities for the last two businesses. She appreciated their testimony.

Mr. Drennen clarified that they do collect the taxes.

Councilor McLain said she understood.

Councilor Atherton was still confused; he understood that tax was not paid on recycled materials.

Mr. Drennen agreed, but said the credits themselves did not kick in until a certain level was reached. He got the residual from material recovery facilities and construction debris. There were incentives in his rate to deliver source separated materials. As the system looked at more and more ways to recover, he was amenable to doing that. These credits created opportunities to perhaps do more.

Dean Kamfer, Waste Management Inc (WMI), said his company would probably pay a higher proportion of excise tax under the new flat tax than what they currently paid. After consideration of the benefits to the system WMI supported the ordinance.

Ms. Keil said going through this exercise may have been the most mentally challenging thing she had done in many years. The transfer stations and interlocking financial structures were pretty fancy. The word "simple" did not seem to apply.

Presiding Officer Bragdon said that was relative to the UGB.

Ms. Keil felt the flat tax was the thing to do and leveled the playing field for disposed waste. The issue raised by the out-of-boundary providers should be examined and fit with the transfer station issue because it should be insured that recovery facilities were in the right places to recover certain types of waste. It might have implications in that regard. A tax credit for doing the right thing with appropriate waste was built in to this proposal. She understood that it would be reexamined in one year to see how it was working. Metro would have a lot more information then. She recommended approval.

Mr. Irvine, said when the issue was first raised he had some misgivings, however, after having looked at the system as a whole he felt it would benefit everybody. He was more comfortable with the latest amendment to the ordinance that dealt with review after one year. There were a lot of unknowns at this point in time, but the review would allow whatever adjustments that were necessary. Given all of that he supported the ordinance.

David White, Chair of Tri-County Council, said they supported the flat tax. It remedied the inequities of taxing based upon disposal cost. It did not mean that they supported all aspects of the ordinance; their concern was the aspirational goal could lead to excessive generation of revenue. If excess revenues were collected they would like to see it applied as a credit in the following year to the excise tax. At least it was being set aside for a fund that Metro did need. He had thought that he understood the issue of tax credits for facilities outside the area, but the examples that came up just now between designated facilities and non-system licenses.

Presiding Officer Bragdon closed the public hearing.

Councilor Atherton said he listened closely to Mr. Drennen to address his concerns. Mr. Drennen said he received source separated material and he provided a lower rate to his customers because of that. Councilor Atherton understood that to be the pass-through for recycling. Mr. Drennen passed it back to his customers, which is where it should go. This ordinance recognizes that because Mr. Drennen does not pay a tax. If it is source separated, it would no longer be garbage. Councilor Atherton agreed with Ms. Keil regarding the matter being "overly complicated" but felt that during the next year, the overall goal will be to have a simple, flat, aerial fee that would be very high, causing incentive to do the right thing., and lessening the enforcement of complications. He was supportive of this ordinance.

Councilor McLain said she would support this ordinance because of the minimum 25% recycling rate that can be reviewed within a year. This plan tries to follow the RSWMP plan, goals and vision. It will continue to need refinement over time.

Councilor Washington thanked everyone who had worked so hard on this ordinance, particularly Councilor Park's for his leadership. He recognized some of the concerns that were raised, and felt there was built-in opportunity for revisiting the matter.

Councilor Monroe said it had been more than a year dealing with this issue, it was time to move forward, and was much fairer than the current system. He thanked the staff, and Councilor Park for his hard work.

Councilor Park closed by saying there were still issues that needed to be covered including hauler credits policy and out-of-district waste questions. There were plenty of incentives to help achieve the 56% recycling rate by 2005. He said it may be aggressively structured, but was better than admitting failure up front. He did not feel it was over-complicated, but reflected the complexity of the entire system which dealt with conflicting goals. Once in place, it will be easier for everyone to use. He thanked Councilors, staff and the industry for their input, support and hard work.

Presiding Officer Bragdon stated that Councilor Kvistad was at another Metro related meeting at the City Hall which was why he departed the meeting.

Vote: The vote was 6 aye/ 0 nay/ 0 abstain. Councilor Kvistad was absent. The motion carried.

8. RESOLUTIONS

8.1 **Resolution No 00-2958,** For the Purpose of Authorizing Release of an RFB #00B-19 REM for the Repair of the Perimeter Dike at St. Johns Landfill.

Motion: **Councilor McLain** moved to adopt Resolution No. 00-2958.

Seconded: **Councilor Washington** seconded the motion.

Councilor McLain said when a landfill is sited, used or closed it remains an on-going item to be dealt with. This resolution allowed repair of a perimeter dike which serves as a filter and barrier between the solid waste and the surrounding surface water. There is a risk of surface water contamination and spillage into the slough. The repair will confer long-term stability to maintain the soil filter and barrier needed and to maintain shading by a riparian canopy of native plants. The dike stabilization is included in the CIP and is budgeted in FY 2000-2001 at $920,000 with the payments made from the St. Johns Landfill Closure Account.

Mr. Burton said after having been involved in the St. Johns Landfill for 30 years, he thought it was dangerous. Maintenance has been provided, but it is in a sensitive area of which there has been much discussion. He planned on returning to the Council with some alternative fund allocation proposals. He stated the serious nature of this piece of land.

Councilor Washington acknowledged and shared Mr. Burton's concerns. DEQ is currently in the process of providing Metro with a closure permit. However, Metro continues to bear responsibility for the property. The repair work being proposed is critical and important to be done correctly.

Councilor Atherton asked about working with the Army Corps of Engineers to remove and replace the landfill material.

Mr. Burton suggested further discussion of that idea. He was concerned that hazardous material might be discovered, and the potential of removing it would be very expensive. Again, it warranted further discussion.

Councilor Park commented that the issue was serious and needed to be funded for any unexpected future expenses.

Councilor McLain closed by thanking those involved with this process.

Vote: The vote was 5 aye/ 0 nay/ 0 abstain. The motion passed with Councilors' Monroe and Kvistad absent from the vote.

9. COUNCILOR COMMUNICATIONS

Councilor Washington announced the plans for a concurrent tour of the St. Johns Landfill and Smith and Bybee Lake. Also, following next week's council meeting, a reception will be held for HTAC. All are welcome.

Councilor McLain invited everyone to attend the speech tournament at the Convention Center on Friday. She thanked Portland State University and the other sponsors of the tournament.

Councilor Park said he attended the periodic review work plan on June 9, 2000 which hopefully will be approved early July. Two newspapers have recently mistakenly reported that farm land has been brought into the urban growth boundary. That did not occur. Lastly, he reported on a conference recently attended in Montana regarding use of the free market for environmental protection. It was different and interesting, and related to various activities in different parts of the country.

Presiding Officer Bragdon announced that next week's Council meeting June 22, 2000, would be at 5:30pm.

10. ADJOURN

There being no further business to come before the Metro Council, Presiding Officer Bragdon adjourned the meeting at 4:59pm.

Prepared by

Chris Billington
Clerk of the Council

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062200C-01

Talking Points for Resolution 00-2956

- The Regional Affordable Housing Strategy is the outcome of 19 months of work by HTAC, chaired by Diane Linn and vice chaired by Jeff Condit.

- The work was carried out at the direction of the Metro Council in fulfillment of requirements in the Regional Framework Plan and the Metro Code.

- The report focuses on several issues including:
  --an affordable housing distribution method
  --an approach for calculating and setting affordable housing production goals
  --a determination of the need for funding by jurisdiction and a potential regional revenue source to address financing affordable housing in the region
  --identification of key land use and non-land use strategies to encourage affordable housing production
  ---regional affordable housing land use policies
  --a schedule for reporting progress

- The report includes recommendation for Metro and for local jurisdictions, mostly voluntary, and mostly reporting of progress. This approach reflects the consensus nature of the HTAC deliberations, and a light-handed, but clear-headed approach to this issue which not only affects the citizens of our region, but citizens of all regions in the nation.

- I want to be clear on the issue of the recommendation regarding the real estate transfer tax—the recommendation is just that at this time, one recommendation among many in an incredibly comprehensive document, presented to us by a citizen committee. This particular recommendation is directed towards local jurisdictions to engage the legislature to remove the prohibition against enactment of such a tax. Metro's role, if any, is very far down the road, and only after action by our regional partners and the citizens of the region.

- In the same vein, nothing in this report is enacted through this resolution. Many of the very fine recommendations become enacted through the actions of local jurisdictions or through Metro ordinance and the provisions of a functional plan at a later date.

- So I hope the council will join me in praising the committee members who produced this report, and the report itself, which plans for a regional solution those members of our society who are burdened by housing needs beyond their capacity.

062200C-02

GROWTH MANAGEMENT COMMITTEE REPORT
CONSIDERATION OF RESOLUTION NO. OO-2956, 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 00-2956. 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.

062200C-03

P. 60

Amendment to Resolution 00-2956
Proposed by Councilor Ed Washington
June 22, 2000

I move to amend the Regional Affordable Housing Strategy (RAHS), Chapter 4--Strategies for Increasing and Preserving the Supply of Affordable Housing, Section IV--Regional Funding Strategies, subsection 2C--Coordinate and Improve Federal Programs/Promote changes with HUD and other Federal Programs, in the following manner:

> Encourage the Oregon Congressional delegation to support changes with HUD and other Federal Programs to increase development of affordable housing~~.~~ and opportunities for home ownership.

Rationale: Made at the request of the Portland Metropolitan Association of Realtors. The intent is to focus on home ownership as well as rental opportunities.

062200C-04

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-2956, FOR THE PURPOSE OF ACCEPTING THE REGIONAL AFFORDABLE HOUSING STRATEGY PREPARED BY THE AFFORDABLE HOUSING TECHNICAL ADVISORY COMMITTEE APPOINTED BY THE METRO COUNCIL

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  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.

RECOMMENDATION:

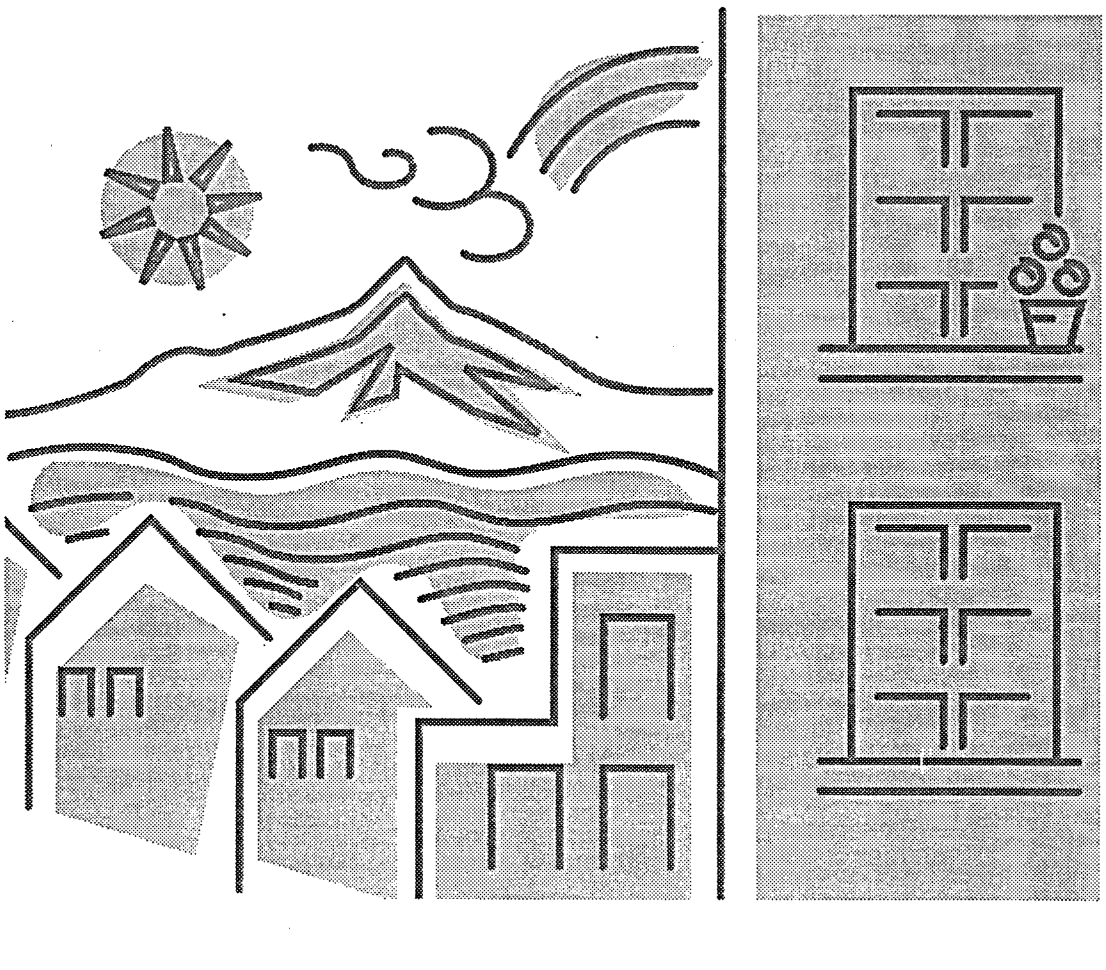
Staff recommends the adoption of Resolution 00-2956. This would: 1) accept the RAHS as meeting H-TAC's assignment in the Regional Framework Plan and Metro Code; and 2) direct staff to prepare draft Regional Framework Plan and Urban Growth Management Functional Plan amendments for consideration of changes to the existing regional housing policies.

Affordable Housing

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

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Deputy Presiding Officer, District 5 - Ed Washington
District 1 – Rod Park
District 2 – Bill Atherton
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District 4 - Susan McLain
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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.

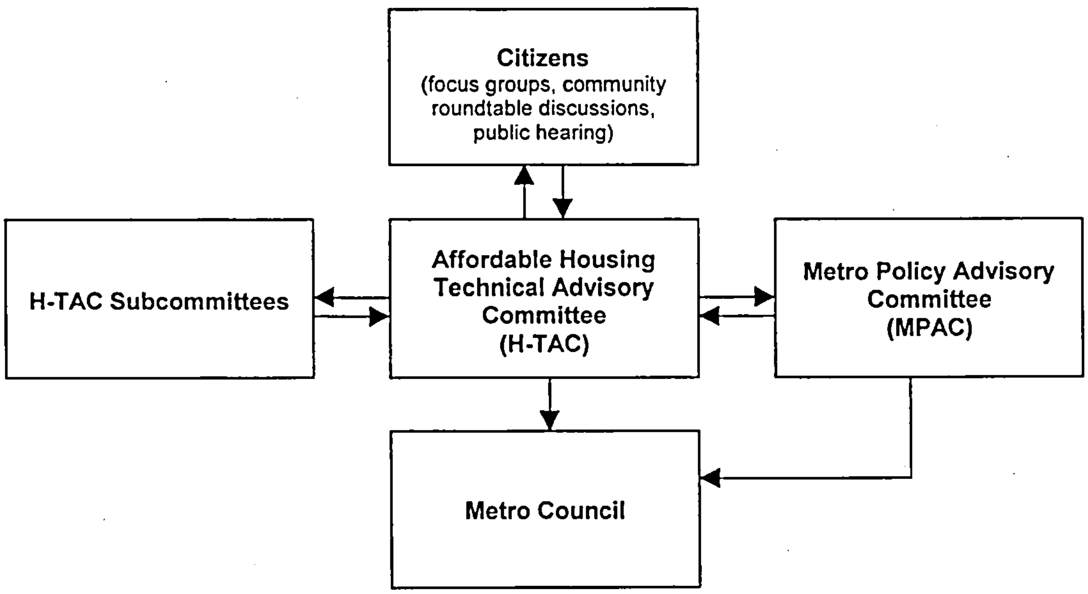
[3] The Regional Framework Plan Policy stated that the RAHS would not be a regulatory document.

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).[6] 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.

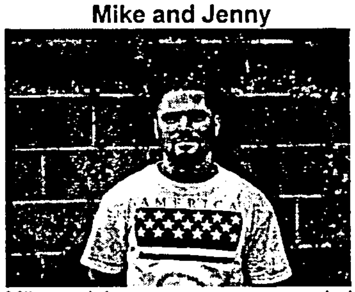
WHO IS TRYING TO FIND AFFORDABLE HOUSING?

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.

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[6] 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.[7] 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.[8] 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

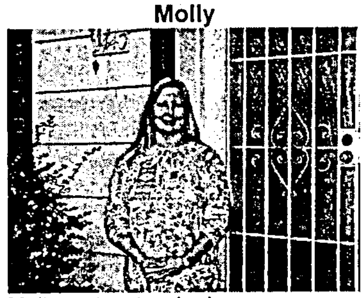
Before 1990, housing in the Portland metropolitan region was relatively affordable. In 1990, average home prices had risen by 33% while median household incomes rose by only 24%. By 1998, the demand for housing was compounded by a two percent annual increase in population. From 1990-1998, the region 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

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



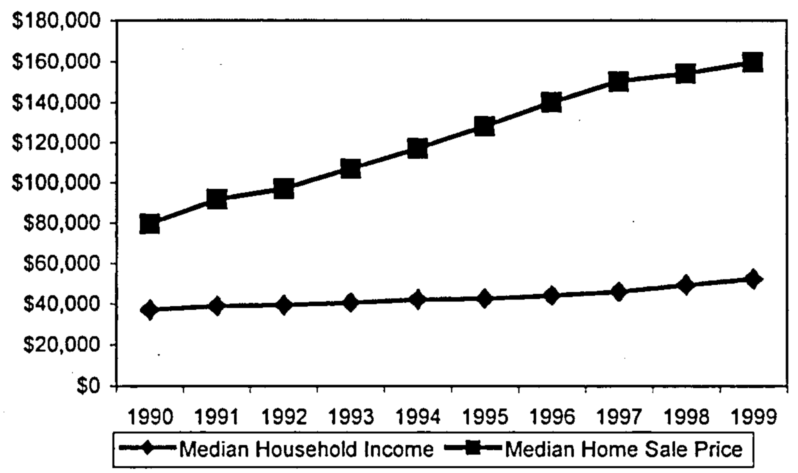
Molly rents a two-bedroom apartment in Clackamas County with her 16-year-old son. She drives a school bus full time and earns roughly $1,885 per month. Because of the heavy burden of past debt, Molly is only able to make ends meet through the subsidized rent provided by Northwest Housing Alternatives.

[7] H-TAC defined very low, low and moderate income groups include: less than 30%MHI, 30-50%MHI, 50-80%MHI, 80-120%MHI.

[8] *Out of Reach*, National Low Income Housing Coalition, 1999.

increased by about 100%, and in this same period, the median 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

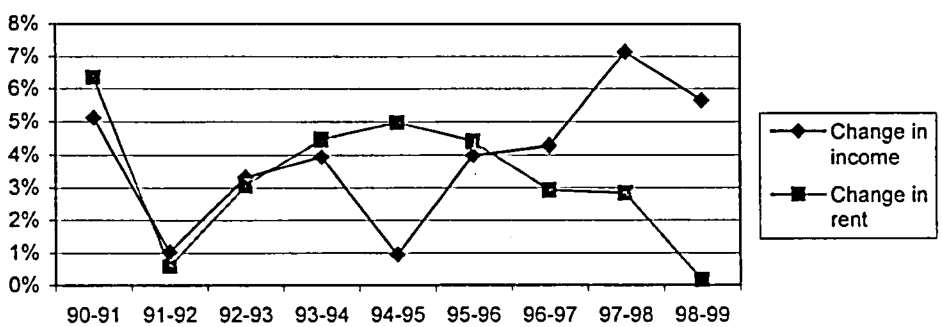


Source: US Department of Housing and Urban Development, Metro, 1999.
Note: Median Household Income is for a family of four.

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

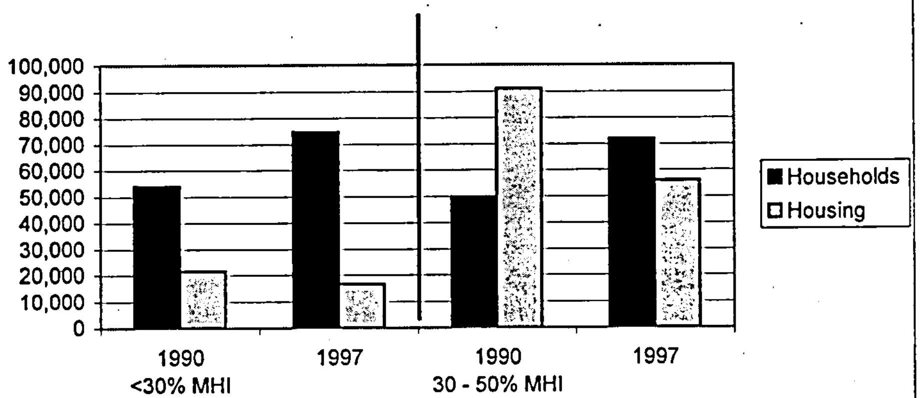


Source: McGregor-Millette, U.S. Department of Housing and Urban Development, 1999.

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.

Figure 4. Households by income group compared to homes that are affordable in the Portland Metro Region, 1990 and 1997



Source: Metro, 1999.

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."[9] 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.

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[9] 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[10] 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[11]. 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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[10] Published in the October 1, 1999 Federal Register.
[11] "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 "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.

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*

Step 1

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.

Step 2

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.

Step 3

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.

Step 4

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.

Step 5

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	
Number of Units	Total Development Cost per Assisted Rental Unit
6	$33,333
59	$57,941
5	$43,733
5	$39,735
15	$49,333
84	$68,065
Average Cost per Unit = $48,690	

New Construction	
Number of Units	Total Development Cost per Assisted Rental Unit
40	$51,250
78	$59,308
33	$73,935
20	$63,833
49	$75,874
120	$63,425
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	5-Year Goal	Annual Goal	Total Cost[1]	Total Resources Currently Available Annually[2]	Remaining Annual Resources Needed
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[12] 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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[12] 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."[13] 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.

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[13] *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.

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[14] 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

EXAMPLES

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.

[14] *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.

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).

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

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

<u>*Long-Term Affordability*</u>

State of Oregón. 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.

<u>*Permanent Affordability*</u>

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.

Regional	***Local***
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.	*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

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 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 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.

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.

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).*

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.	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. *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.	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. *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.	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.
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.	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

<u>*Codes for New Construction*</u>

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.

<u>*Codes for Rehabilitation*</u>

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[15] 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.

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.

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

Recommendations for Implementation

Regional	*Local*
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.	*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.

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

<u>Employer Assisted Housing – Portland, OR</u>

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[16] to help build community support, "roll out" a new mortgage product, and provide liaison with other community organizations.

[16] 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[17], 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

[17] 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[18] 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.

[18] 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[19], 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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[19] 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.[20]

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.

[20] "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[21]. 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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[21] 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[22] 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.

[22] 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

A. METRO POLICIES

1. RFP Policy 1.3
2. Code relating to H-TAC
3. Title 7, UGMFP

B. AFFORDABLE HOUSING PRODUCTION GOALS (FAIR SHARE)

1. H-TAC Subcommittee members
2. Key H-TAC working documents and methodology

C. COMPLETE STRATEGY REPORTS

1. H-TAC Subcommittee members
2. Land Use Strategies
3. Non-Land Use Strategies
4. Regional Funding Strategies

D. NOTEBOOKS OF FACTUAL INFORMATION FOR DEVELOPMENT OF AFFORDABLE HOUSING PRODUCTION GOALS AND THE STRATEGY REPORTS

These notebooks are stored in the Growth Management Services Department at Metro Regional Center.

E. PUBLIC COMMENT

1. H-TAC Outreach Subcommittee Members
2. Focus Group summaries
3. Community Roundtable Discussion summaries
4. Additional Roundtable Comments from Questionnaire
5. Public Hearing record

F. ADDITIONAL REFERENCE MATERIAL

1. Matrix from *Affordable Housing Tools Survey*, Community Development Network
2. *What is affordable housing in the Metro region?* (hh income/occupations table)
3. Description of methodology for calculating median family income from HUD
4. Affordable Housing Tools Survey of Local Governments, 1999-2000
5. 1997 Metro Housing Needs Analysis

Appendices A, B, C, E and F are available for reproduction upon request. Appendix D is available for review from Metro's Growth Management Services Department.

0622000c-05

FOSTER AREA BUSINESS ASSOCIATION
PO BOX 86775
PORTLAND, OREGON 97286-0775

EIGHTY-SECOND AVE. BUSINESS ASSOCIATION
P.O. BOX 66451
PORTLAND, OREGON 97290-6451

774-2832 FAX 788-0412

June 21, 2000

Metro Councilors
Metro
600 NE Grand Avenue
Portland, OR 97232-2736

To the Metro Council:

The Boards of Directors of the Foster Road and Eighty-Second Avenue Business Associations, representing over 750 businesses from 60th Ave east to 122nd and from Halsey Street to the Clackamas County line, wish to express our deep concern over the implications inherent in accepting the *Affordable Housing Report* as it has been presented to you. If by accepting the report, you accept the premise that a real estate transfer tax is the best way to meet affordable housing goals, then it would be better not to accept the report. We accept, and support, the premise that additional affordable housing units should be a priority for the region, however, we submit the following reasons why we oppose the implementation of this new tax:

1. Citizens have the right to voice their opinion about what amounts to a tax on their home and not have the tax mandated by Metro.
2. This tax will hurt people who must sell their homes due to old age or transfer of employment.
3. It appears that there has not been adequate public notice regarding the implications of the acceptance of this report.
4. It appears as if small businesses and the elderly will be most seriously impacted by this tax; as selling their property will cost them more money.
5. This real estate transfer tax could, because it will cause an increase in value, actually result in current affordable housing becoming unaffordable.
6. The tax could have an actually negative impact on many districts in town that are in the revitalizing mode; as properties become more difficult to purchase and to sell.
7. Is it not possible, through a more intense public input process, that a better solution could be found?

If you have questions about our stand on this issue, please feel free to call me at 771-3817.

Sincerely,

Ken Turner, President
Foster Area Business Association

DIARY AND WORK RECORD

Good ~~evening~~ afternoon, Councillors

My name is Nancy Chapin
I reside at 4735 SE Flavel Dr in
& I am here to ~~testify~~ read a letter from
~~for~~ the Foster Area & ~~Brentwood~~ B.D. Dear hood
82nd Ave BA's.
We certainly do
appreciate the
work of the committee
however, the group
did have some
concerns. In addition, Although
you have addressed
some of the groups con-
cerns I will still express
~~these groups~~ their groups concerns
about ~~using~~ the real
estate transfer tax & the method.

FOSTER AREA BUSINESS ASSOCIATION
PO BOX 86775
PORTLAND, OREGON 97286-0775

EIGHTY-SECOND AVE. BUSINESS ASSOCIATION
P.O. BOX 66451
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600 NE Grand Avenue
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7. Is it not possible, through a more intense public input process, that a better solution could be found?

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Sincerely,

Ken Turner

Ken Turner, President
Foster Area Business Association

062200C-06

League of Women Voters of the Columbia River Region

June 22,2000

TO: The Metro Council

FROM: The League of Women Voters of the Columbia River Region

RE: Regional Affordable Housing Strategy Plan

First of all we would like to commend the Affordable Housing Technical Advisory Committee (AHTAC) and its subcommittees for this final plan. We recognize the report before the Metro Council represents many hours of hard work and there probably isn't a government body in the U. S. that has faced a regional affordable housing problem head on and tried to find a path to its solution.

The AHTAC has given local jurisdictions a lengthy list of land use tools and strategies to use when implementing changes in their comprehensive plans to increase the supply of affordable housing. Although we wish that inclusionary housing was mandatory and we so testified before the Council in September of 1997, we understand the delicate balancing of the appearance of an iron fist on Metro's part and the land use, financial and polital problems of local jurisdictions.

In order to follow through with implementation of the plan, we believe that Metro must supply sufficient funds to allow monitoring of each jurisdiction's progress.

We will be reviewing the 12 month status report and see where each jurisdiction stands in its comprehensive plan analysis. We will also review the 24 and 36 month report. Rest assured we will be here making our voice heard.

Leeanne MacColl

Leeanne MacColl, President LWVCRR

Member Leagues: East Multnomah County (EMCO), Milwaukie-East Clackamas County (MECCA), Portland, Washington County, West Clackamas County

06220OC-07

Portland Metropolitan Association of Realtors®

REALTOR®

5100 SW Macadam Avenue, Suite 360
Portland, Oregon 97201

(503) 228-6595
FAX (503) 228-4170

Testimony of
Jane Leo, Governmental Affairs Director

Before the
Metro Council
June 22, 2000

Regional Affordable Housing Strategy
June 2000

Mr. Presiding Officer, Councilors,

I am Jane Leo with the Portland Metropolitan Association of Realtors®. Members of the Association are dedicated to preserving the right to own, use, and freely transfer real property. Realtors® sell homes; they sell neighborhoods. Quality of life, and with it housing opportunity and choice, is the primary focus of the Realtor® association's members.

The members of the Portland Metropolitan Association of Realtors® agree with comments made in the Regional Affordable Housing Strategy that there is a need to create homes for the residents of the metropolitan region. HOWEVER, the recommendations and requirements within the RAHS do not accomplish this goal.

On behalf of the Association's 4800 members, we ask that you not accept the Regional Affordable Housing Strategy as it comes before you today.

The Strategy does not meet its goal of addressing the housing needs of the residents of this region. The Introduction to the RAHS states that "the goal of H-TAC was to develop a strategy for addressing the housing needs of current and future residents of the Metro region....". This document does not do that. The Strategy prioritizes the housing needs of only a fraction of the region's residents—to the exclusion of other "current and future" residents. For the group that is focused on, the recommendations and requirements within this document create subsidized rental housing.

We are concerned that the Strategy does not address opportunities for families to move from being subsidized renters to being homeowners who would contribute to the stability of their neighborhoods and schools, and would be contributors to the tax base.

Just one of many many examples that could be pointed out where this document falls short of achieving its goal can be found in Chapter 4, Section IV, Regional Funding Strategies. This section reads that members of the Oregon Congressional Delegation should be encouraged to "support changes with HUD and other Federal Programs to increase development of affordable housing."

Language should be included here that encourages the Oregon Congressional Delegation to also seek changes to Federal Regulations that will promote home ownership. And, that urge HUD and other Federal agencies to continue their work to create educational opportunities for the training of individuals so that they can earn a better income and move out of tax payer subsidized housing. So that they can—if they choose to be—homeowners.

Secretary Cuomo recently announced a $200 million increase in assistance to faith-based groups who supply affordable housing. This funding increase includes monies for worker training programs. This type of program should be applauded and encouraged. But it's not within the RAHS.

(I have provided you with copies of this article.)

We oppose the Strategy because of its unfunded mandate to cities and counties to inventory their affordable housing and the tools they use—or could use—to promote affordable housing. The Strategy recommends that Metro become the data keeper of this affordable housing information and that an additional Metro committee be created; and, staffed. You've just completed Metro's budget process with lengthy discussions of where to make cuts in expenses. It would be irresponsible to add yet another program to Metro.

Finally, we oppose the Regional Affordable Housing Strategy because it advocates for a region-wide Real Estate Transfer Tax.

1. A RETT discriminates against home owners. It penalizes them every time they move.

2) A real estate transfer tax is a Sales Tax on housing. Every sales tax proposal every considered by the Oregon Legislature has excluded shelter.

3) A real estate transfer tax is not equitable. It amounts to a niche tax placing the financial burden on a small segment of the population for the benefit of the entire population.

If creating housing for low income individuals and families is good for ALL of society, then ALL of society should share the expense. Not just the home purchaser.

4) Real Estate Transfer Taxes that exclude homes under a certain price range still impact housing affordability through the "trickle down" effect. That is , as more expensive homes are made even less affordable, there is a greater demand for moderately and lower priced homes. This ultimately drives up the cost of those homes as well.

It would be expensive to the taxpayer for Metro to pursue—or participate in the pursuit of—a Real Estate Transfer Tax. Existing state law would have to be overturned and Metro would potentially have to seek voter approval since it would exceed Metro's taxing authority.

While the Framework Plan does say that support for a Real Estate Transfer Tax should be considered, it does not say go out and pursue one.

We ask that all references found in Chapter 5, Section B., and all other references within the RAHS, to a Real Estate Transfer Tax, be DELETED.

Realtor® opposition to a Transfer Tax on property transactions has been consistent and steadfast.

We ask you to not accept this report before you today, to not amend the Framework or the Functional Plan; and, we ask you to oppose a Real Estate Transfer Tax.

Thank you for consideration of these comments.

062200C-08

Cuomo Says HUD Is Building a $1 Billion Partnership With America's Faith-Based Organizations

(June 19) -- Department of Housing and Urban Development (HUD) Secretary Andrew Cuomo on Thursday announced that his agency will increase assistance to faith-based organizations by $200 million next year, resulting in expenditures of at least $1 billion for 2001.

"Faith-based organizations are the eyes and ears, hearts and souls of the communities HUD serves," Cuomo said. "Again and again, they have proven themselves to be effective and innovative partners in HUD's efforts to expand the supply of affordable housing, create jobs, help businesses grow, and revitalize communities."

Cuomo also unveiled two new initiatives. The first involves a $10 million commitment in "partnership development" grants. Faith-based groups in 20 cities will use Section 8 rental assistance vouchers to help families find and keep housing, with priority shown to those families who have been forced from their homes because of HUD's demolition and replacement of aging public housing communities. The second initiative will enlist the aid of faith-based organizations to bridge the digital divide and train inner-city workers on new technologies. In this effort, HUD has joined with Cisco, which will open 10 academies in areas such as HUD-assisted housing complexes, Empowerment Zones, and HUD Neighborhood Network Centers.

Source: *PRNewswire* (06/15/00)

062200C-09

ALLIANCE OF PORTLAND NEIGHBORHOOD ASSOCIATIONS
P.O. BOX 5123
PORTLAND, OREGON, 97208

June 21, 2000

Metro Council
Metro Regional Center
600 NE Grand Ave.
Portland, Oregon 97232

RE: Proposed Real Estate Transfer Tax Imposed by Metro to Fund Affordable Housing.

Dear Council Members,

APNBA is composed of about 40 neighborhood business associations in the City of Portland with several goals including improving the economic and employment environment of Portland . One of APNBA's goals is to support affordable housing plans but only by equitable and appropriate means.

Reasons for opposition to Resolution # 00-2956

1. It's really a selective sales tax which Oregon has a long history of opposing.
2. It's a tax not based on the tax payors ability to pay. (some sales are at a loss for Seller because of debt-low or know equity and/or market conditions)
3. It's an extra cost that sometimes is passed onto the Buyer in some cases making all real estate including bare land for affordable housing development, less affordable.
4. There is not a strong rationale that a "sales tax" on any commercial real estate should be used for housing.
5. Metro would be given the authority to move tax revenues from one county and give to another. There is no compelling reason for this, so the County's and cities should have their own authority to meet affordable housing goals.

Very Sincerely

Robert Butler

Robert Butler
Director, Committee on Fees and Taxes.

Clackamas Community Land Trust

Sponsored by
Northwest Housing Alternatives

Jessica Glenn
Homeowner & Member Services Coordinator

2316 SE Willard Street
Milwaukie, Oregon 97222-7740
phone: 503-654-1007 x.114 · fax: 503-654-1319
email: glenn@nwhousing.org

Affordable homes for generations

062200c-10

Clackamas Community Land Trust

Sponsored by Northwest Housing Alternatives

What is Affordable for Clackamas County Residents?

Single Person			2 Person Household			3 Person Household			4 Person Household		
Annual Income (%MFI)	converted to hourly wage	what is an affordable payment?	Annual Income (%MFI)	converted to hourly wage	what is an affordable payment?	Annual Income (%MFI)	converted to hourly wage	what is an affordable payment?	Annual Income (%MFI)	converted to hourly wage	what is an affordable payment?
$ 11,220 30%	$ 5.39	$ 280.50	$ 12,900 30%	$ 6.20	$ 322.50	$ 14,490 30%	$ 6.97	$ 362.25	$ 16,110 30%	$ 7.75	$ 402.75
Part time cashier, grounds keeper, or senior citizen on social security.			Part time library assistant, or half time insurance claim clerk.			Dryclean machine operator, service station attendant or teacher's aid.			Janitor, hairdresser, or preschool teacher.		
$ 18,700 50%	$ 8.99	$ 467.50	$ 21,500 50%	$ 10.34	$ 537.50	$ 24,150 50%	$ 11.61	$ 603.75	$ 26,850 50%	$ 12.91	$ 671.25
Mail clerk, mechanic's helper, or designer.			Utility customer service representative, or cutting machine operator.			Drilling machine setter, or medical assistant.			Bus or truck mechanic, or computer operator.		
$ 22,440 60%	$ 10.79	$ 561.00	$ 25,800 60%	$ 12.40	$ 645.00	$ 28,980 60%	$ 13.93	$ 724.50	$ 32,220 60%	$ 15.49	$ 805.50
Sales worker, driver or pharmacy assistant.			Police, fire or ambulance dispatcher.			Production machine inspector, or carpenter.			Machinist, or maintenance mechanic.		
$ 29,920 80%	$ 14.38	$ 748.00	$ 34,400 80%	$ 16.54	$ 860.00	$ 38,640 80%	$ 18.58	$ 966.00	$ 42,960 80%	$ 20.65	$ 1,074.00
Radiological technician, or refridgeration mechanic.			Instructional coordinator, or medical & clinical lab technologist.			Medical engineering technician, or registered nurse.			Tool & die maker, vocational counselor, or brick mason.		

Median income calculations based on HUD 2000 Portland/Vancouver regional data.
Wages based on Clackamas County residents by the Oregon Employment Department (last quarter 1997).

Affordable homes for generations

2316 SE Willard Street, Milwaukie, Oregon 97222-7740 · phone: 503-654-1007 · fax: 503-654-1319

Clackamas Housing Needs and Market Analysis

Why is Affordable Housing Important to Clackamas County?

An adequate supply of affordable housing is an important component of stable, healthy communities. Children with stable homes have been shown to perform better in school. Families that can afford to live close to their jobs reduce traffic congestion and air pollution. People of all income levels who own their own homes tend to participate more in community activities and spend more money on local goods and services. With rising prices, however, home ownership opportunities in the Clackamas County area are diminishing for low and moderate-income residents. Given the critical role of affordable housing, there needs to be a community-wide response to this problem

Current County Housing Stock

According to the Clackamas County Consolidated Plan, the county has 109,003 housing units. Of the occupied units, 71.7% were owner-occupied and 28.3% were renter-occupied.[1] Compared to the Metro region, Clackamas County's housing stock includes the highest percentage of single family units (72%); the lowest percentage of multi-family units (17%), and the highest percentage of mobile homes (10%).

The chart below shows average market rents from the spring/summer of 1999.

Average Market Rent[2]

	0-bedroom	1-bedroom	2-bedroom	3-bedroom
Constructed 1979 or before	$447	$538	$661	$742
Constructed 1980 or after	Not available	$650	$742	$889

Based on HUD standards and salary data from the Oregon Employment Department, a family of two making $25,800 could afford to pay $645. a month, which matches the market rent for a newer one-bedroom apartment ($650). This salary represents someone working as a dispatcher for a police, fire, or ambulance department. A family of four with someone working as a machinist making $32,220 could afford to pay $805. a month, which means the family could afford and older three bedroom unit.

It is important to keep in mind that just because these families can afford these rents, does not mean that those units are readily available. As mentioned earlier, only 17% of Clackamas County's housing stock is in multi-units and although there are single family rentals, there are other barriers to securing decent, safe rental units. Many property management companies charge application fees, require renters to have three times the rent in income, and have strict requirements for credit history, all of which make it difficult for people to find housing that meets their family's needs.

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[1] Clackamas County, Oregon Housing and Community Development Consolidated Plan, 1999; CHAS C1.
[2] McGregor Millette Report, Vol. Twelve No. One, Spring/Summer 1999.

Turning to owner-occupied homes, the chart below shows increases in housing prices from 1993 to 1996 in various cities in Clackamas County.

Average Housing Prices - Urban[3]

Urban/Suburban Communities	1993	1994	1995	1996
Lake Oswego	$195,000	$201,900	$226,000	$239,500
Charbonneau	$184,100	$193,500	$214,100	$221,500
West Linn	$164,200	$170,200	$187,300	$202,100
Wilsonville	$134,200	$140,400	$172,300	$182,600
Happy Valley, Sunnyside	$149,100	$160,100	$168,500	$181,700
Clackamas	NA	$118,500	$130,500	$143,500
Oregon City	$95,700	$107,200	$119,400	$132,500
Gladstone	$97,000	$109,500	$118,000	$129,800
Milwaukie	$83,500	$98,500	$105,700	$118,100
County Urban Area Average	**$119,517**	**$126,020**	**$140,205**	**$153,654**

Given that these figures are four years old, let's figure that the average house in Milwaukie is now $130,000. Subtracting a 5% down payment and $3500. in closing costs and other fees, a family would need to be able to get qualified for a $120,000 mortgage. Using the rough rule that loans are approved at 2.5 times household income, a family would need to be making $48,000 a year to be qualified to buy this house.

Affordable Housing Gap on the Rise

In just ten years, single family home prices have doubled. Rents in the area also continue to rise, which forces families to move or makes it difficult for them to save money for future investments such as home ownership, education, or retirement. In fact, in Clackamas County, 37% of renters with incomes between 51 and 80% of median income pay more than 30% of their income for rent. This reality means that a significant percentage of low and moderate-income families are in situations where they are paying a large amount of their monthly incomes on housing expenses.

While housing costs rise rapidly, income levels for lower incomes remain relatively flat. This creates a growing affordability gap making it more and more difficult for families to purchase housing or find decent rental homes. At first glance, the rental and home ownership issues may seem like they are separate problems, but in fact, they are both part of a larger housing continuum. If moderate-income families are unable to move into home ownership, then they must stay in rental units that need to be available for other lower-income families. As a result, those families find themselves in situations where they are forced to pay too much of their income on housing expenses. When one piece of the continuum is missing, there is a sort of "cascading effect" that puts stress on the entire housing market.

[3] Information based on Clackamas County, Oregon Housing and Community Development Consolidated Plan, 1999.

Families Unable to Finance Home Ownership

Many households between 51-80% of median income have stable incomes, good credit history, and are able to qualify for home mortgage loans. The problem is that the amount they can qualify for does not match the current market prices for housing. A family of three, with income of $38,640 from someone working as a registered nurse, can roughly afford a mortgage of $96,625. As can be seen on the chart on page two, even with 1996 figures there would be few homes that they could afford in the County. In addition, because lower income families often do not have the standard down payment of 20%, many lenders require them to obtain mortgage insurance which adds on additional $49-100 to their monthly payments, putting home ownership further out of their reach.

The Time is Right to Begin to Address this Community Need

According to a 1994-1995 survey of Oregon Schools, "Students who dropped out of high school tended to be a mobile group. Of those who dropped out, 34 percent were enrolled in the reporting school district for a year or less. About 28 percent of the dropouts had been in the same district for more than five year, and about 38 percent had been in the same district one to five years."[4] The Oregonian reported that "At Whitcomb Elementary in Milwaukie, 56 percent of the students moved in or out during the last school year (1998-1999). The rate was 27 percent at Milwaukie Middle and 41 percent at Milwaukie High." These and other indicators make it clear that Clackamas County is not immune from the housing problems that are facing other parts of the country.

The County has a population over 330,000, yet until 1999 there was no nonprofit home ownership organization in the County. At that time, a number of community leaders and concerned individuals got together in response to many of the issues described above. As a result, the Clackamas Community Land Trust was formed under the sponsorship of Northwest Housing Alternatives to help low and moderate income families become homeowners.

The Land Trust model works by acquiring properties and selling only the improvements, or the house, to an income qualified buyer. What this means for the family is that if they can qualify for an $80,000. mortgage and the Land Trust puts in $30,000, they can now look for a house that costs $110,000. By using other programs such as down payment assistance, it may be possible to bring the amount up to $120,000 and there are low interest rehab loans available through the County to make improvements on the house. These numbers are closer to average housing prices in Milwaukie, Gladstone, and Oregon City, whereas a family with only an $80,000 mortgage and $10,000-$15,000 in down payment and other assistance is very unlikely to find a home. Furthermore, with conventional financing, this family would need to pay mortgage insurance of $49-$100 per month. The only additional monthly cost with the Land Trust is the Land Lease Fee of $39, which results in a "savings" of $10-$61 per month.

[4] "Dropout Rates in Oregon High Schools:1994-1995. State Summary Report." March 1996, Norma Paulus, State Superintendent of Public Instruction.

The Clackamas Community Land Trust's target market is families between 60-80% of median family income. An additional benefit of this approach is that Land Trust homes remain permanently affordable help to create a healthy housing market over the long term.

The Clackamas County Consolidated Plan endorses the Clackamas Community Land Trust as an important housing strategy for the county by stating:

> [A] community land trust homeownership program can provide home ownership opportunities to low or moderate income people by acquiring housing and retaining title to the land while selling the house to a qualifying household. Houses held by the land trust can remain affordable by removing the cost of the land as a component of the price and by limiting appreciation in housing prices at the time of resale. The County intends to use available HOME funds to support implementation of a community land trust in the first year of this Plan.[5]

Other endorsements for the Clackamas Community Land Trust include:

- ♦ A County contract adopted by the Clackamas County Commission that endorses the work of the Clackamas Community Land Trust.
- ♦ An announcement of the Clackamas Community Land Trust with the County Commissioners and Congresswoman Darlene Hooley.
- ♦ A membership base of over 60 residents including neighborhood, community and business activists.

At this point, it is clear that there is a need for more home ownership opportunities for low and moderate-income families in Clackamas County. These endorsements and community support have led the Clackamas Community Land Trust to an aggressive start and to establish a number of programs to address these urgent housing issues.

[5] Clackamas County, Oregon Housing and Community Development Consolidated Plan, 1999.

0622000-11

hud IN YOUR COMMUNITY

June 22, 2000

To: Metro Council

FM: Tom Cusack, Oregon HUD State Coordinator

Subject: HTAC Report and Recommendations for Metro Council Role in Legislation Providing Resources to Accomplish Local Production Goals.

I am the Oregon State Office Coordinator for the U.S. Department of Housing and Urban Development and a resident of Lake Oswego for the last 20 years.

I want to thank you for the honor of serving as a non-voting member of HTAC, even if it meant attending many of those 93 meetings held over the last 18 months. Led by Multnomah County Commissioner Diane Linn and served by Metro staff including Gerry Uba and Malu Wilkinson, HTAC members have conducted one of the first regional housing assessments in the country.

In the HTAC process I have certainly learned more about Oregon's land use system. The limits of enforceable requirements under goal 10 provisions for " government assisted housing" has been a revelation. The approval by the legislature and signing by the governor of a provision outlawing inclusionary zoning, the only such statewide provision in the country, eliminates a resource that could have helped accomplish affordable housing production.

In the absence of that resource, I have attached written testimony with my observations and recommendations for Metro Council, ***including the increased role that Council should play in insuring that local jurisdictions have information on potential resources***. These resources will be necessary to accomplish the modest production goals recommended, *which call for only 600 more units than the historical level of production.*

Once again, I thank you for trusting "the feds" enough to have me as a non-voting member of HTAC.

If I can be of further assistance please call me at 326 2561 or email Tom_Cusack@hud.gov.

hud IN YOUR COMMUNITY

TO : Metro Council

FM: Tom Cusack, Oregon HUD State Coordinator

Subject: HTAC Comments

I am writing to provide my comments on the HTAC report before you today for acceptance, the Metro need for affordable housing, and the how you can help secure resources to accomplish the local production goals identified in the HTAC report.

I have prepared testimony on my recommendations and insights I have gained from my HTAC experience, as well as my 27 years of housing and urban development experience working for HUD in Portland, Detroit, Cincinnati, and Washington D.C.

Needs

With the first significant review of accomplishments not scheduled until 2003, 12 years will have past since the first Metro discussions of fair share. The HTAC report clearly shows the greatest gaps in affordably priced rentals for those below 30% of median family income, and surpluses of units at higher income levels.

HTAC says the need is for 90,000 units for families below 50% of median income. The goal chosen is a *very modest* additional 603 more units per year, or 3,016 additional units for a 5 year period.

HUD's recently published unmet needs data for the state, show that there are 134,815 Oregonians who qualify for HUD rental assistance but who do not receive it, a growth of 26,662 Oregonians during the 1990's.

A separate HUD unmet needs report done in June shows that in Metro area the line of Metro residents with unmet HUD assisted rental housing needs now stretches for more than 128 miles, and it grew by 25 miles during the boom times of the 1990's

Priority Setting and Continued Support for Home Ownership

During HTAC or MPAC discussions some have questioned focus of production goals on very low-income needs and the absence of any specific homebuyer recommendations. Three observations:

1. If Oregon can establish a **100+ list of medical priorities for Medicaid, SURELY we can make the 2 to 3 category prioritization of need found in the HTAC report.**

2. HUD's FHA made 3,500 FIRST TIME HOMEBUYER loans in the Metro area last year. Adding other sources of financing, the total first number of first time homebuyer loans was likely more than 5,000 in 1999. This is significantly more than the very modest production goal of 1,810 per year in the HTAC report.

3. As a former Director of Single Family Development for HUD, responsible for more than 50,000 home loans during my service in that position, I agree that we should CONTINUE to encourage homeownership. But, with the limited additional resources available we need to focus those resources on the income groups identified in the HTAC report.

4. In summary, with clear needs and a long delay in developing fair share goals, this is the time for Metro Council to accept this report and to then take actions to help local government find resources to accomplish these modest goals.

Resources

A. Additional Resources

I have heard repeatedly at HTAC meetings and the MPAC meetings I have attended that absent additional resources, HTAC production goals will not be accomplished. I agree.

Table 8 of the RHAS shows the 1998 state and federal resources available for selected programs, including programs that are used to increase the supply of affordable housing. [Attachment 1]

While it does NOT include *all* HUD funding in the metro area, the Table 8 **does accurately reflect the split of federal and state resources for affordable housing –97% federal and only 3% state.**

Metro's legislative committee and the Council should play an ACTIVE role for local communities in tracking bills and budgets that can provide HOUSING resources at the federal and state level. Absent these affordable housing production goals Metro has not had a role, but now with these goals Metro clearly DOES HAVE A ROLE to help local governments.If Metro Council doesn't pay attention to those opportunities to obtain additional resources for housing, ***the Metro Council itself will have provided the excuse for local governments to miss these production goals.***

To assure that Metro *does help* local government locate sources for the necessary resources I have three recommendations:

<u>Recommendations 1-3:</u>

1. If these voluntary housing production goals are to be taken seriously, and necessary funding obtained, Metro and its legislative committee <u>need to do a more proactive job</u> by <u>immediately adding Housing to those issues it tracks legislatively</u>.

2. Because federal budgets provide 97% of the resources and are currently under discussion <u>federal budgets require Metro's IMMEDIATE attention. [See attached HUD prepared summary of differences for Oregon between the president's budget request and House appropriations, for example].</u>

3. In addition to immediate attention to federal budgets, Metro needs to <u>also work with local governments to discussed substantially INCREASED state commitment of STATE resources to housing production in the NEXT legislative session,</u> so that the State is a more active partner with the federal government in funding affordable housing.

B. Better Use of Existing Resources—Local Use of The Toolkit and Project Basing of Vouchers to Accomplish Highest Cost Goals.

While acknowledging the need for additional resources, the public has a right to expect that existing resources will be leveraged to the maximum and that existing best practices will be adopted instead of constant localized "reinvention of the wheel".

HTAC's research and identification of a long list of tools for local consideration is an important step in insuring that existing best practices are widely known and used. Governments who take advantage of work already done elsewhere CAN promote affordable housing without having to reinvent the wheel.

In recommending better use of existing resources, the HTAC report also calls for greater use of project basing of HUD vouchers.

> *"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 <u>one time</u> acquisition or construction of affordable and available units."

While there is a limit to the amount of project basing permitted for a tenant based resource like vouchers (15% of all vouchers), <u>leveraging of this EXISTING resource could add 1,500 long term affordable AND available very low income units</u> to the SUPPLY of affordable housing.

(Many rental units with rents low enough to be affordable to lower income households are NOT available because higher income households occupy them).

<u>Using Existing Resources:</u>
Focused use of project-based vouchers could achieve 70% of the most expensive 5-year production goal –the goal for HH below 30% of median income

The 5-year goal is to increase existing production for renters below 30% of income by 2,140 units. **1,500 units are 70% of that goal.**

After reaching the full authority of project basing *current* vouchers, <u>for each 1,000 additional vouchers added to the Metro area, *another* 150 vouchers could be project based for very low-income households.</u> This compares to an annual INCREASED production goal of 425 units per year for HH below 30% of median income. {See attachment 3 , showing difference in vouchers for Oregon for 2001 between what the President requested and House appropriations bill].

This means that <u>35% of the annual **future supply goal for very low income families, after the first five years,** can be accomplished through project basing IF the region receives an additional 1,000 vouchers a year.</u>

I have two final recommendations:

<u>Recommendations 4-5</u>

4.. Given the significant resources that project basing of vouchers can provide to help accomplish the highest cost production goals at the local and Metro level, <u>Metro AND local governments should work cooperatively with housing authorities to provide assistance and support for their project basing decisions</u>. In that process, Metro and local governments need to understand that local housing authorities have the discretion and accountability for making project-basing decisions, including selection of the locations of projects and the mix of low-income tenants in each project.

5. In addition, since additional vouchers in the future can increase project basing by 150 units for each 1,000 vouchers added, <u>Metro Council should closely track federal legislation that would provide the resources for local communities to achieve their affordable housing production goals.</u>

<u>Summary</u>

IF Metro takes a leadership role in tracking federal and state legislation that can provide housing resources, the very modest production goals in the HTAC report <u>can be accomplished</u>.

Without Metro's legislative involvement, I am afraid that three years from now, Metro's assessment will be that local communities have not accomplished these goals and the **failure to find track potential resources will mean that Metro will need to share the responsibility for that lack of performance.**

Attachment 1

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.

Attachment 2

Oregon Differences Between Presidents Proposed 2001 Budget and House Appropriations Mark June 2000, Selected Programs

Program	FY 2000	FY 2001 Proposed Administration	House FY2001 VA/HUD Mark
Community Development Block Grant[1]	38,402,000	40,671,000	37,543,368
HOME Investment Partnership	18,087,000	18,582,000	17,825,110
Housing Opportunities for People with AIDS	809,000	904,000	794,736
Emergency Shelter Grant	1,366,000	1,366,000	1,265,626
Continuum of Care (Homeless Assistance)	6,913,688	7,588,743	7,067,143
Community Development Programs[2]	840,000	2,058,000	770,615
Public Housing Operating Subsidies	12,632,000	12,848,000	12,630,647
FY 2001 New Incremental Vouchers - Dollar Value		12,363,636	0
FY 2001 New Incremental Vouchers - Number of Vouchers		*2,282*	*$0*
Total	**$,049,688**	**$ 96,381,379**	**$77,897,245**
FY 2001 Change From FY 2000		**+17,331,691**	**-1,152,443**

Attachment 3

Of HUD Vouchers Proposed for FY 2001 ,
Oregon is Projected to Conservatively Receive Nearly 2,300 Vouchers
Which Would Lift 5,600 Oregonians Out of Poverty. *If President's Budget is Approved*

Metro Is Estimated to Receive 750 of those Vouchers,
If President's Budget Is Approved

Why HUD Vouchers Matter in Oregon: Private Property Owners Would Receive $12.3 Million in Addititional ANNUAL Subsidy , Lifting Nearly 2,300 Households, 5,600 People, OUT of POVERTY

Community	Number of Vouchers	Dollar Value
~~OREGON~~ GRAND TOTAL	2,282	$12,363,636
EUGENE	218	$1,210,124
MEDFORD	114	$637,036
PORTLAND	496	$3,221,372
SALEM	288	$1,574,715
CLACKAMAS COUNTY	114	$740,396
WASHINGTON COUNTY	146	$948,226
Rural Oregon	906	$4,031,767

0622000-12

JACK G. KAADY
7916 S. W. Scholls Ferry Road
Beaverton, Oregon 97222
503-526-1015

Metro Council
600 N. E. Grand Ave.
Portland, OR 97232

Re: Regional Affordable Housing Strategy – Opposition to Real Estate Transfer Tax

Ladies and Gentlemen:

Real Estate transfer taxes do not keep housing prices affordable!!!!! The tax paid by the seller is simply added to the sale price of the home. This adds to the cost of a home, and is especially burdensome on first time homebuyers who already have a difficult time raising a down payment.

Recent increases in cost of escrow fees, mortgage interest rates, inspection fees etc., make it impossible for many to own a home. I have had many deals crash because buyers couldn't bring additional money's to closing.

Home ownership promotes social stability and is good for the regions and states economy. However a real estate transfer tax is not the appropriate means by which to keep housing affordable.

The real estate industry is strongly opposed to any transfer tax and as you know, they are currently illegal. Please vote against any proposal that would make housing less affordable, such as a real estate transfer tax.

Sincerely,

Jack G. Kaady, CRB, GRI
Associate Broker

0622006-13

From: "Jerrene Dahlstrom" <jdahl@europa.com>
To: <kvistadj@metro.dst.or.us>
Date: Wed, Jun 21, 2000 9:42 AM
Subject: Real Estate Transfer Tax

Jon Kvistad, District 3
Metro Council

I am opposed to any Real Estate Transfer Tax. A tax on the purchase of a home is discriminatory and unequitable, and it certainly will hurt first time home buyers.

Jerrene Dahlstrom

0622000-14

Portland Metropolitan Association of Building Owners and Managers

1211 SW Fifth Avenue
Suite L-17
Portland, Oregon 97204
Tel 503.228.9214
Fax 503.223.1659
portlandboma@bigplanet.com
www.teleport.com/~bomapdx

June 22, 2000

Presiding Officer David Bragdon, and
Members - Metro Council
NE Grand Avenue
Portland, Oregon 97232

Dear Councilor Bragdon and Members:

The Leadership and members of Portland Metropolitan BOMA would like to go on record voicing significant concerns about the Regional Affordable Housing Strategy.

BOMA is the trade association of the high rise office building and office park industry in the Portland Metropolitan area, and represents nearly 26 million square feet of office space. In addition, we are very active members of the Commercial Real Estate Economic Coalition. In short, we represent the commercial real estate industry. Our concerns about the strategy relate to the proposed funding vehicle. More specifically, the potential enactment of a real estate transfer tax.

The enactment of a real estate transfer tax would have a large negative effect on the Portland Metropolitan area economy in several ways:

- The Portland Development Commission analysis of the "Cost of Doing Business in Portland" indicates that Portland is a more expensive place to do business than our competing second tier cities. The two factors that contribute to that are the cost of land and taxes. This proposal would place an additional burden on business. Hence, making Portland an even more expensive place to do business.

- A real estate transfer tax (which is a sales tax on the sale of property) discriminates against the investment in real estate versus other types of investments such as stocks and bonds which are not taxed at the point of sale. This would discourage the investment in real estate in the Portland metropolitan area which is an important component of maintaining a vital commercial real estate market and economy.

BOMA Portland

In addition we believe the proposed real estate transfer tax is a niche tax that applies only to a narrow base of the community. Affordable housing a responsibility of the entire community and the burden of paying for such should not be limited to the few.

Finally, and possibly most importantly, we don't see any nexus between the sale of commercial real estate (office, industrial parks and shopping centers) and low income housing. While the report suggests that the development community is in support of this proposal, we would suggest that the commercial development community does not fall into that grouping. If, in fact, one of the Council's goals is to encourage employers to consider developing home ownership and rental assistance programs, taxing them on the sale of property is not the way to accomplish that goal.

We appreciate the opportunity to provide this input and encourage you to tell the TAC to go back to the drawing board to explore a more broad-based, equitable funding mechanism.

Sincerely,

Robin White

Robin O White, CAE
Executive Vice President

0622000C-15

CREEC

Commercial Real Estate Economic Coalition
1211 SW Fifth Ave. ✦ Suite L-17 ✦ Portland, OR 97204
(503) 228-9214 ✦ Fax (503) 223-1659

June 22, 2000

David Bragdon, Presiding Officer
Metro Council
600 NE Grand Avenue
Portland, Oregon 97232-1783

Re: Resolution 00-2956 (Acceptance of the Regional Affordable Housing Strategy)

Dear Mr. Bragdon:

I am writing today on behalf of the Commercial Real Estate Economic Coalition (CREEC), which represents 13 organizations, trade associations and companies involved in the sales, leasing, development and management of commercial, office and industrial real estate. CREEC has serious reservations about the regional Real Estate Transfer Tax (RETT) as the primary funding source for implementation of the Regional Affordable Housing Strategy, the acceptance of which is subject of the above-referenced resolution.

- *The proposed RETT, that could be as high as 0.75% of the selling cost of residential, commercial and industrial properties, will further increase the cost of doing business in the Portland Metropolitan area, which is already one of the highest in the country. For example, a study conducted for the Portland Development Commission by Marketek (A Comparative Analysis of the City of Portland Business Operating Costs, 1/99) suggests that the cost of doing business in the Portland is significantly higher than for comparably-sized Western cities including Denver, Las Vegas, Phoenix and Salt Lake City. This is a combination of several factors, including the land cost, local fees and state taxation.*

- *There is little or no nexus between the sale of commercial and industrial properties and affordable housing.*

- *The proposed RETT is not equitable in that it places a burdensome tax on a narrow tax base for the benefit of the community as a whole. A regional bond issue for housing, which has been rejected as a potential funding mechanism, would be a much more equitable funding mechanism.*

- *A RETT discriminates against investments in real estate versus other types of investments such as stocks and bonds that are not taxed at the point of sale.*

Although supportive of the goals of the Housing Technical Advisory Committee (H-TAC) to provide more affordable housing, CREEC is concerned about the impact of a RETT on the regional economy. Moreover, it is suggested in the housing strategy document that "local officials and development industry representatives have expressed support for a RETT, with the Realtors providing the only significant objection." CREEC represents a substantial cross-section of the non-residential development community and, to our knowledge, our constituents have not been included in this conversation.

Because of the significant economic and legal issues related to the adoption of a RETT as the primary *funding mechanism for the region's Affordable Housing Strategy, we urge the Metro Council to undertake a comprehensive and broad-based study of a RETT's anticipated and unanticipated consequences before adoption of such a tax is considered. CREEC will continue to monitor this issue closely and would be pleased to serve on a Metro-sponsored committee on the subject where we could share the perspectives and expertise of our constituents.*

Thank you for the opportunity to comment on this issue.

Sincerely,

Mike Tharp

Mike Tharp, Chair
CREEC

06222006-16

List of Recipients (alphabetical order)—**HTAC Certificates of Appreciation**
(The following people served on the committee)

1. **Helen Barney, Housing Authority of Portland**
2. **David Bell, GSL Properties**
3. **Liora Berry, Cascades AIDS Project**
4. **Gail Brownmiller, City of Hillsboro**
5. **Councilor Cathy Butts, Gresham City Council**
6. **Vince Chiotti, Oregon Housing and Community Services Department**
7. **Jeffrey Condit, Miller Nash LLP**
8. **Tom Cusack, Federal Department of Housing and Urban Development**
9. **Gary DiCenzo, Clackamas County Housing Authority**
10. **Mayor Rob Drake, City of Beaverton**
11. **Doug Draper, Genstar Land Company Northwest**
12. **Commissioner Andy Duyck, Washington County**
13. **Sheila Greenlaw-Fink, Community Partners for Affordable Housing**
14. **Tasha Harmon, Community Development Network**
15. **Cindy Heisler, Clackamas County Department of Human Services**
16. **David Lawrence, City of Hillsboro**
17. **Commissioner Diane Linn, Multnomah County**
18. **Diane Luther, Northwest Housing Alternatives, Inc.**
19. **Doug McClain, Clackamas Planning Division**
20. **Margaret Nelson, Key Bank National**
21. **Douglas Obletz, Shiels Obletz Johnsen**
22. **Pat Ritz, Oregon Title Insurance Company**
23. **Mike Saba, City of Portland Planning Bureau**
24. **Commissioner Erik Sten, City of Portland**
25. **Mindy Sullivan, Oregon Title Insurance Company**
26. **Dave Summers, Bank of America**
27. **Dee Walsh, REACH Community Development, Inc.**
28. **Steve Weiss, Community Alliance of Tenants**
29. **Ramsay Weit, Multnomah County**
30. **Susan Wilson, Washington County Housing Services**

(Metro staff who worked tirelessly on behalf of the committee)
Gerry Uba, Metro Growth Management Department
Malu Wilkinson, Metro Growth Management Department

0622000-17

Willamette Cove council speaking points
Executive Session minutes
CONFIDENTIAL ATTORNEY-CLIENT COMMUNICATION MADE IN CONTEMPLATION OF LITIGATION
6/21 + 6/22/2000

History of the acquisition

- In February 1996, Metro purchased the 27-acre Willamette Cove property, in the Willamette River Greenway Target Area, with Metro Open Spaces Bond funds
- Willamette Cove was one of the "optioned properties" that was promised to voters during the Bond Measure campaign. The property was put under option by the Trust for Public Land in 1994 during the Bond Measure campaign. After the Bond Measure's passage, TPL exercised its option and purchased the property from the Portland Development Commission, and then sold the property to Metro. [854k]
- Before purchasing the property, Metro and the Trust for Public Land commissioned extensive independent environmental testing of the property. That testing concluded that the property did not present a risk to human health or the environment, under current conditions and planned future development of the site as a riverfront park.
- Also prior to purchase, DEQ was consulted and involved in the review of the property, and we received a letter from DEQ that DEQ would hold Metro harmless for contamination related to McCormick & Baxter, and for sediment contamination on the property.

DEQ/EPA Investigation of the Portland Harbor and Willamette Cove

- In 1997-98, DEQ and the Environmental Protection Agency began investigating a 6 mile stretch of the Willamette River between Sauvie Island and Swan Island, and conducted what is known as the Portland Harbor Study. Willamette Cove is located in this stretch of the river.
- In 1999 DEQ recommended listing the Willamette Cove property in DEQ's "confirmed release list", and sent Metro DEQ's request for performance of a remedial investigation. DEQ has indicated that further testing is necessary to determine whether contamination in Willamette Cove's uplands and sediments comes from former on-site

sources or has migrated from McCormick & Baxter or other off-site sources.

- In December of 1999 and again in May, DEQ issued notices to property owners along the Portland Harbor, including Metro and the Port, requesting that we execute a Voluntary Agreeement for Remedial Investigation and Source Control Measures for Willamette Cove. DEQ's notice states that if Metro and the Port do not enter the voluntary program, that DEQ will begin preparation of a unilateral order.
- Two months ago, in April of 2000, the EPA indicated that it plans to list the entire Portland Harbor as a federal superfund site. The EPA and the State of Oregon are currently in negotiations over whether and how much of a role DEQ will play. One proposal is that DEQ will maintain control over the uplands in the Harbor, and EPA will control the sediments.

<u>City of Portland potential future management of the property</u>

- At the time Metro acquired the Willamette Cove property, the City of Portland had expressed a strong interest in taking over management and operation of the property as a waterfront passive recreation park. However, the environmental issues have clouded and stalled the city's desire to assume management responsibility for the property.
- the city has developed a draft master plan for the property, which envisions a pedestrian and bicycle park, with viewpoints over the river, and restrictions on river access due to the environmental restrictions placed on the sediments by the Portland Harbor study and potential DEQ/EPA action on the harbor.

<u>Potential Legal Liability for the property</u>

- As the property owner of the Willamette Cove site, Metro has statutory "joint and several" "strict liability" for contamination at the site under state and federal superfund laws. This means that as its owner, Metro has strict responsibility for investigation and cleanup of the entire site. Metro would then have to sue other "responsible parties" to recoup costs for which others are liable, but if these other entities are no longer viable, Metro and the other viable owners must bear the whole burden, unless we can prove that the state's "orphan fund" must pay a share by proving that we were an "innocent purchaser" of the property. This argument can be made only after the investigation and cleanup of the property.

- As a prior owner and operator of the site, the Port shares this same burden.
- Metro has argued to DEQ that its 1994 "hold harmless letter" should release Metro from liability for contamination on the site, but DEQ has maintained that it is not clear that the contamination on the Willamette Cove site came from McCormick & Baxter. Legally, DEQ is statutorily empowered to force Metro to investigate and remediate the site, and have Metro make its "innocent purchaser" argument or reallocation claim after investigation and cleanup are complete.
- DEQ also is empowered to unilaterally take enforcement action against property owners and issue a cleanup order. A property owner who refuses to comply is subject to triple damages.

<u>The Port</u>

- After receiving DEQ's notice that DEQ would list Willamette Cove on the confirmed release list, Metro notified past public property owners including the Port of Portland that they were potentially responsible parties on the site, and that a claim for damages could be asserted against them.
- The Port owned or operated portions of the Willamette Cove site from 1903 until the mid to late 50's. The Port conducted dry dock operations, ship repair shops, and leased out portions of the property. There was also evidently a lumber mill and a wood barrel and vat manufacturing operation on portions of the property prior to Metro's ownership.
- The Port is a major landowner of other sites in the Portland Harbor and has been very involved in the issues regarding the Portland Harbor, the pending Superfund listing, and regional discussions relating to cleanup of the harbor.
- After receiving Metro's notice that the Port was a responsible party for the Willamette Cove site, the Port approached Metro about working jointly to conduct further environmental investigation, risk assessment, and remediation of the Willamette Cove site, as well as other joint defense activities such as the exchange of historical site information, retention of an environmental consultant, negotiation

with DEQ and EPA, and performance of site investigation and cleanup.

<u>The Allocation, Joint Cooperation, and Defense Agreement</u>

- After receiving DEQ's notice of intent to list the property, Metro retained an environmental litigator with strong experience in dealing with the DEQ and EPA on these matters, Jerry Hodson, from the law firm of Miller Nash.
- Metro staff and outside legal counsel began a series of meetings with the Port of Portland attorneys and staff to discuss the possible joint defense agreement. We presented the complete lack of causation or culpability of Metro for the Willamette Cove property, which we have simply landbanked for future use as open space, compared with the Port's intensive and longterm industrial use of the property.
- **<u>Cost Allocation: 90-10 split.</u>** We were able to get the Port to agree to fund **90% of all "site work" at the Willamette Cove Property, with Metro paying 10%.** This is the environmental investigation, risk assessment, source control measures, feasibility study, and remedial action required by DEQ or EPA, for the uplands as well as the sediments on or adjacent to the site.
- <u>10% Cap.</u> **The 90-10 split is an interim allocation, but Metro's 10% share is a cap for the final allocation for Metro's liability for the site work. Sole "reopener" is if, as of completion of the remedial investigation, evidence is uncovered that demonstrates that Metro has contributed in a percentage greater than 10% to contamination of or releases of hazardous substances from the site.) Metro's share could be reduced to less than 10% at the completion of the site work, as the parties attempt to work out a final allocation through negotiation, mediation or arbitration, and ultimately circuit court.**
- **<u>Environmental Indemnification.</u>** The Port will also **indemnify Metro for claims relating to hazardous substances at the site related to the site work, subject to the 90-10% allocation.**
- **<u>Claims against Third Parties.</u>** The Port will receive the exclusive right to seek recovery of the costs of the Site Work from third parties, and Metro will waive its right to seek such recovery. The Port shall give Metro the opportunity to participate in such lawsuits, and if

Metro chooses to do so, metro shall share in the costs of litigation in the 90-10 split, and shall likewise share in the recoveries 90-10.

- **Environmental Consultant.** The Port will retain the environmental consultant for the property, and shall pay the consultant, and **Metro shall reimburse the Port for 10% of those fees.**
- **Joint Work Product and Joint Defense.** Metro and the Port will share documents, environmental reports, and other documents or results produced, and such shall be considered confidential joint defense attorney client communications and work product prepared in anticipation of litigation. This includes the Agreement itself and its terms.
- **Joint Public Statements.** As part of the Agreement, press releases and other public statements made on behalf of the parties must be approved by both metro and the port. If metro or the port wishes to issue its own press release or other public statement about the site, it shall use its best efforts to inform the other in advance, and obtain the other's prior approval.
- **Attorney's fees.** Each party to bear its own attorney's fees in carrying out agreement.
- **Mitigation site**. Although it is not part of the agreement, the Port has indicated that in the future it would like to use all or a portion of the river frontage as an environmental mitigation site for contamination caused on this and other Port sites in the Portland Harbor. This would be the subject of a later, separate potential agreement, terms of which have not been negotiated.
- **Port has executed agreement.** Port's executive officer executed the agreement recently. Recommend that council authorize Metro's executive officer to execute the agreement.

Future DEQ Agreement

- Metro and Port attorneys and staff are currently negotiating with DEQ regarding scope of work. We anticipate coming back to Council shortly to ask for authorization to enter into an agreement with DEQ for a Voluntary Agreement for Remedial Investigation and Source Control Measures, once a satisfactory document is negotiated.