



### MEMORANDUM

To: Oregon City, City and Planning Commissions

From : John Stutesman, AICP, Planner

Re : Equitable (Affordable) Housing

Date : May 4, 2016

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Since the last recession, housing prices and rents have risen at a higher rate than the increase in personal income for most population groups in Oregon and throughout the nation. In Clackamas County, the tight housing market and increased housing costs are impacting everyone. As housing choices remain limited and home prices and rents have continued to increase, populations at lower income levels are particularly burdened with fewer and more expensive housing choices to purchase and rent. The City Commission recently prioritized the need to review and address equitable or affordable housing in Oregon City, including the need for quality, lower cost housing options for homeowners and renters in all areas of the city.

The definition of affordable, or equitable, housing varies significantly. Generally, programs define affordable as housing for families with a household income of 30%, 60% or 80% of the area median. According to the U.S. Department of Housing and Urban Design (HUD) “Families who pay more than 30 percent of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care. An estimated 12 million renter and homeowner households now pay more than 50 percent of their annual incomes for housing.”

According to the Johnson Economics Report, in 2015, the median household income in the metropolitan area in 2015 was \$64,910, resulting in a household paying more than \$1,622.75 per month in housing costs as burdened. The median renter income was \$41,906 while the median rent for a two-bedroom apartment was \$1,165 or approximately 33% of the pre-tax income. The median owner income was \$84,394 with a median home sales price of \$318,000. At the joint work session on May 10<sup>th</sup>, Richard Swift, Clackamas County Director of the Department of Health, Housing, and Human Services will be presenting an overview of housing needs in Clackamas County as well as programs administered by Clackamas County Housing Authority.

## Oregon City

A housing assessment was prepared for Oregon City in 2002 in preparation for an update to the City's Comprehensive Plan. The assessment is now 14 years old and the City does not have accurate, current information on the amount and overall condition of housing. Since that time, Oregon City has approved and amended policy and land use actions to address the overall housing need in the city. These include:

1. The City's adopted Comprehensive Plan includes goals and policies to support equitable housing.  
Goal 10 Provide for the planning, development and preservation of a variety of housing types and lot sizes.  
Policy 10.1.3 - Designate residential land for a balanced variety of densities and types of housing, such as single-family attached and detached, and a range of multi-family densities and types, including mixed-use development.  
Policy 10.1.4 - Aim to reduce the isolation of income groups within communities by encouraging diversity in housing types within neighborhoods consistent with the Clackamas County Consolidated Plan, while ensuring that needed affordable housing is provided.  
Policy 10.1.5 - Allow Accessory Dwelling Units under specified conditions in single-family residential designations with the purpose of adding affordable units to the housing inventory and providing flexibility for homeowners to supplement income and obtain companionship and security.  
Policy 10.1.6 - Allow site-built manufactured housing on individual lots in single-family residential zones to meet the requirements of state and federal law. (Pursuant to state law, this policy does not apply to land within designated historic districts or residential land immediately adjacent to a historic landmark.)  
Policy 10.1.7 - Use a combination of incentives and development standards to promote and encourage well-designed single-family subdivisions and multi-family developments that result in neighborhood livability and stability.  
Goal 10.2 Provide and maintain an adequate supply of affordable housing.  
Policy 10.2.1- Retain affordable housing potential by evaluating and restricting the loss of land reserved or committed to residential use. When considering amendments to the Comprehensive Plan Land-Use Map, ensure that potential loss of affordable housing is replaced.  
Policy 10.2.2 - Allow increases in residential density (density bonuses) for housing development that would be affordable to Oregon City residents earning less than 50 percent of the median income for Oregon City.  
Policy 10.2.3 - Support the provision of Metro's Title 7 Voluntary Affordable Housing Production Goals.  
Policy 10.2.4 - Provide incentives that encourage the location of affordable housing developments near public transportation routes. Incentives could include reduction of development-related fees and/or increases in residential density (density bonuses).
2. Approval of Zone Changes and amendments to the Comprehensive Plan which have increased densities resulting in approximately 953 additional homes.
3. Approval of three Concept Plans (Beavercreek Road, Place and South End) which are planned to provide approximately 3,324 additional dwelling units.
4. Zoning of approximately 658 acres (10.5% of the City) within commercial and mixed use zones which allow a nearly unlimited amount of multi-family housing. With no minimum lot size for

each dwelling unit, the number of apartments and/or condominiums is limited by building height, lot coverage, and parking.

5. Allowing one accessory dwelling unit to be located on each lot with a single-family home or duplex since 2004.
6. Allowing cottage housing in single and two-family dwelling districts since 2004. Cottage housing allows density bonuses for dwellings which are limited in size.

## **State Legislation**

During the 2016 legislative session, Senate Bill 1533 was passed that creates new provisions to support equitable housing. Some jurisdictions require a percentage of new development to include dwelling units to be rented or sold below market rates, known as inclusionary zoning. The new law requires those cities and counties to provide developers of property an option to pay an in-lieu fee rather than setting aside 20 percent of the new housing units to be sold or rented below market rates. The money would then fund equitable housing units in other parts of the city. This new law only applies to new residential developments that will have 20 or more units. Oregon City does not currently have an inclusionary zoning requirement that requires developers to set aside a percentage of their new units for equitable housing purposes.

## **Metro Grant**

Metro has been taking on an expanded role on addressing equitable housing issues, challenges, and opportunities for the Portland region. The Equitable Housing Initiative has been working to identify and quantify affordable housing problems throughout the Portland region and develop an action plan to create and preserve diverse, quality, physically accessible, affordable housing choices with access to opportunities, services and amenities. Metro created a housing planning and development grant to support local planning to eliminate barriers to equitable housing development. Emily Lieb, the Equitable Housing Initiative project Manager, will be attending the work session on May 10<sup>th</sup> to discuss the \$500,000 in available funding for the grant program. Attached are two documents that provide background information on the equitable housing and the new Metro grant opportunity.

- Equitable Housing Report Summary
- Housing Grant Factsheet

Grant eligible projects include assisting in conducting predevelopment work on affordable or mixed-income housing development sites and policy work to develop tools to support the modification of local codes, zoning or permitting processes or create incentives that eliminate barriers to equitable housing development. Predevelopment grant eligible projects would include identification of housing sites, environmental and brownfield assessments, financial feasibility analysis, funding strategy development, and assistance with parking and schematic design work. Eligible policy projects could include zoning/code changes to eliminate barriers to and/or create incentives for different housing types, formulation of regulatory or incentive programs, and implementation of streamlined permitting processes for affordable housing projects. Individual grants can range between \$50,000- \$100,000.

Over the last month, City staff has met with Metro, Clackamas County, Clackamas County Housing Authority and Milwaukie representatives to discuss the possibility of partnering on a joint grant application or supporting individual applications from each jurisdiction. The scope of such a joint application is unknown at this time, but will be determined and refined during the month of May. Note

that if a decision is made to pursue this grant opportunity, Oregon City would need submit a detailed letter of interest to Metro by June 8, 2016 and a full application no later than August 12, 2016.

### **Grant Funding Opportunities which Support Equitable Housing**

Below is a list of projects which could be pursued with the aforementioned Equitable Housing Initiative grant. The projects either identify or prepare a site for an equitable housing project or amend policies to remove barriers or create incentives for the creation of additional equitable housing units in Oregon City.

- **Removal of Barriers for Accessory Dwelling Units:** Though accessory dwelling units have been allowed outright in single and two-family zoning designations since 2004, very few ADU's have been constructed. Research may be conducted to identify and remove some barriers for construction of accessory dwelling units.
- **Removal of Barriers for Apartments and Condos:** Few new multi-family dwelling units (apartments and condominiums) have been developed in the past 10 years, which could imply barriers to construction exist. Research may be conducted to identify and remove barriers for construction of multi-family dwelling units.
- **Removal of Barriers for Cottage Housing:** Though cottage housing was permitted in 2004, no applications to construct cottage housing have been submitted. Research may be conducted to identify and remove some barriers for construction of cottage or cluster housing.
- **Approved Plans for Accessory Dwelling Units:** The City may design and approve model building plans for detached accessory dwelling units and create a manual to explain the process for construction. The plans as associated documentation would be available to the public at no cost, thus providing an incentive for construction.
- **Regional Center and Downtown Housing Opportunities:** A study may be conducted to identify and address barriers to housing, including equitable housing, within the Regional Center and/or in downtown.
- **Urban Renewal District:** The Urban Renewal Agency may identify and inventory vacant or underutilized URA properties suitable for housing. If suitable vacant parcels are identified, an equitable housing project on either a vacant or underutilized district owned parcel may be created or additional feasibility studies performed.
- **Density Bonus:** The Oregon City Municipal Code may be amended to grant development additional height, an increased number of units, increases floor area ratios, and other density bonuses for construction and maintenance of a certain percentage of equitable housing units or donation of land to a local housing trust fund.
- **Identification of Land for Equitable Housing:** Identify land for the construction of an equitable housing development. The land could be currently for sale or surplus, underutilized, vacant, abandoned, or tax delinquent private properties in locations near employment or transit or where there are few affordable units today.
- **Expedited Permit Process:** The City may consider implementation of an expedited process to incentivize affordable housing development, though limited staff and legal process requirements may not result in a significant reduction to the review process.
- **System Development Charges Reductions or Waivers:** System development charges (SDC's) may be waived or reduced for equitable housing projects or accessory dwelling units. System development charges for one multi-family unit or one accessory dwelling unit are approximately \$13,167. The fees may be reduced or waived for a specific time period or for a certain number

of projects, encouraging new equitable housing units or illegal ADU's to be brought into conformance with our requirements. The waivers would reduce the funding for new projects which would utilize these funds.

- **Limited Tax Exemption Program:** A program may be implemented to provide a limited City tax exemption to owners of new equitable multi-family projects or homes with accessory dwelling units.
- **Inclusionary Zoning:** An inclusionary zoning ordinance may be implemented requiring development to construct, or pay a fee in lieu of constructing, affordable housing units.

### Non-Grant Opportunities which Support Equitable Housing

Below is a list of alternative projects which the City may pursue that are not supported by the Metro grant. These other projects could be used to support a Metro grant application in the future and enable Oregon City to accomplish more equitable housing work with current staff.

- **Update the Housing Inventory:** An update to the 2002 inventory would allow us to understand the amount and overall condition of housing within the city. This assessment could be aided by the available GIS mapping information maintained by Oregon City, Clackamas County, and Metro.
- **Establish Relationships with Groups That Construct Equitable Housing Units:** Work with the Clackamas County Housing Authority and non-profit housing organizations to establish ongoing working relationships and to identify and address barriers to affordable housing within Oregon City.
- **Reduce Rents for City or Urban Renewal Owned Homes:** The City and Urban Renewal Agency currently own seven (7) homes in Oregon City for various purposes. At present, the City does not have an income requirement or ceiling for people renting those homes. The City may want to consider subsidizing the rents and limiting those homes to those with a limited income.

Location	Rent	Rent at 30% Median Income (Monthly Subsidy Amount)	Rent at 60% Median Income (Subsidy Amount)	Rent at 80% Median Income (Subsidy Amount)
S. 2 <sup>nd</sup>	\$1,075	\$500 (Subsidy of \$575)	\$1,000 (Subsidy of \$75)	\$1,300 (No Subsidy)
Glen Oak	\$1,176	\$500 (Subsidy of \$676)	\$1,000 (Subsidy of \$176)	\$1,300 (No Subsidy)
Tumwater	\$1,200	\$500 (Subsidy of \$700)	\$1,000 (Subsidy of \$200)	\$1,300 (No Subsidy)
Leland	\$1,400	\$500 (Subsidy of \$900)	\$1,000 (Subsidy of \$400)	\$1,300 (Subsidy of \$100)
Gaffney Lane	\$1,475	\$500 (Subsidy of \$975)	\$1,000 (Subsidy of \$475)	\$1,300 (Subsidy of \$175)
S. Center	\$1,656	\$500 (Subsidy of \$1,156)	\$1,000 (Subsidy of \$656)	\$1,300 (Subsidy of \$376)
Glen Oak	-	\$500	\$1,000	\$1,300
<b>Total Subsidy</b>		<b>\$4,982</b>	<b>\$1,982</b>	<b>\$651</b>

- **Non-Conforming Dwelling Units:** Work with Building Division and Code Enforcement staff to identify non-conforming residential units. Formulate a process to help property owners to bring non-compliant housing units into compliance with applicable planning and Building Code regulations.

## **Summary and Conclusions**

The range of the possible policy improvements and other actions detailed above could have a positive impact on creating more affordable housing opportunities in Oregon City.

Oregon City, working directly or in partnership with Clackamas County, is well positioned to submit a competitive Equitable Housing grant application to Metro to encourage and facilitate the development of more equitable housing. It is the opinion of staff, that such a grant could be best used by Oregon City to evaluate current processes and develop tools to support modification to local codes that can be used in the future to eliminate barriers to equitable and affordable housing development within the City.

In addition to submitting a Metro grant application, Oregon City should consider the other non-grant projects, such as those identified within this memorandum. This may require an additional work session to assess and prioritize equitable housing needs or initiation of a project. Staff will be looking to the Commissions for guidance to identify preferred approaches to equitable housing.