MEMORANDUM

Affordable Housing Plan (FINAL)
Tigard Housing Strategy Implementation Plan

DATE       June 4, 2019
TO          Tigard Housing Strategy Implementation Plan (THSIP) Project Management Team
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Section 1: Summary

1.1 Introduction

Project Background

The purpose of the Tigard Housing Strategy Implementation Plan (THSIP) is to identify strategies and implementation steps needed to increase the supply and affordability of housing within the City of Tigard. The outcome of the project will be recommendations for adoption of housing strategies and policies, including amendments to municipal and development code, to implement an Affordable Housing Plan.

Past Affordable Housing Efforts in Tigard

Several studies and reports related to affordable housing in Tigard have been completed in the past several years. A Housing Needs Analysis (HNA) was completed in 2013, which examined the state of housing supply, housing affordability issues and the City's ability to meet projected housing demand going for the next 20 years. The HNA included a Housing Strategies Report summarizing the findings and recommendations of the HNA. Strategies suggested in the 2013 report included comprehensive plan and code amendments as well as administrative and funding strategies to achieve documented housing needs and remove barriers to residential development in Tigard.

Following, a Tigard Affordable Housing Strategies Report (2016) evaluated the changes in needs and effectiveness of the City's affordable housing programs from 2002 – 2016. The findings of the report detailed that after 15 years, only three of the 12 program elements were still considered to be effective: tax exemption, grant funding for public improvements, and Tigard’s ongoing financial support for the Good Neighbor Center. Additionally, the tax exemption program (the Nonprofit Corporation Low Income Housing Tax Exemption) is the only one of these programs that results in construction of new affordable units, according to the report. The report concluded that the City has had individual victories for affordable housing but needs to strengthen its policies and services to ensure more affordable housing needs are met.

Since 2016, steps have been taken to address some of the pitfalls of the historic programs and address strategies suggested in the 2013 HNA findings. In the winter of 2018, the City adopted amendments to the Community Development Code with new standards for “missing middle” housing types, including ADUs, cottage clusters, courtyard units, quad units, and rowhouses. The intent of those amendments is to increase the flexibility and ability to expand housing options within single-family zoning districts. Other recent efforts include SDC exemptions for regulated affordable housing and the Tigard Triangle Equitable Urban Renewal Implementation project. The Implementation Plan will prioritize equitable urban renewal projects in the Triangle in 2018-2019 through the development of a set of criteria to rank projects, which is expected to include preserving and expanding affordable housing as a criterion. For example, a proposed program for the district...
such as Redevelopment Assistance, would prioritize affordable housing projects over market-rate housing through the use of criteria for decision making.

The City also has partnered with Metro and the City of Portland to create a plan for equitable housing along the Southwest (SW) Corridor to evaluate and pursue creative and lasting housing options in efforts to reduce the gentrification and displacement historically seen with development of transit. That study, the SW Corridor Equitable Housing Strategy Report, also involved close collaboration with SW Corridor stakeholders, including tenant groups, developers, community-based organizations, and funders. The report includes several affordable housing strategies for the Southwest Corridor that are also described in this report for Tigard overall. These include public-private partnerships, community land trusts, tenant protections, tools for preserving existing affordable housing, and capitalizing the Oregon Housing Acquisition Fund. Tigard City Council acknowledged the report in July 2018.

DLCD Grant Background

In 2018 the Oregon Legislature passed House Bill (HB) 4006 which allocated $1.73 million to the Department of Land Conservation and Development (DLCD) for planning technical assistance to jurisdictions working to make an impact on housing affordability in their communities. Cities with populations greater than 10,000 and with at least 25% of renter households “severely rent-burdened” were the top priorities for the grant. Tigard met both the population and housing need thresholds, with 27% of the City’s population severely rent-burdened.

There are four types of technical assistance programs provided through the grant: housing needs analyses, code audits, code updates, and housing strategy implementation plans. Tigard has been granted the funds to complete a Housing Strategy Implementation Plan to evaluate strategies that provide and promote the accessibility and affordability of housing in the City.

Affordable Housing Plan

The Affordable Housing Plan (AHP) provides analysis and recommendations for a variety of strategies to increase the supply of affordable housing in Tigard. The process for developing the AHP included the following steps:

1. **Develop a starting list of strategies** – City of Tigard provided an initial list of strategies to consider for the Affordable Housing Plan. The consultant team also suggested a few additional strategies for the City to consider.

2. **Provide background information on potential tools and strategies** – The consultant team researched the initial list of strategies and generated a Background Report that provided general information for each strategy, including a description, legal basis, usage in Tigard and other cities, opportunities and constraints, options and alternatives, and general implementation needs. The Background Report is included as Appendix A. As a result of City staff’s review of the Background Report, the list of potential strategies was refined. A few
additional strategies were added to the list, and a few were determined not to be feasible or appropriate for Tigard at this time.

3. **Evaluate the potential tools** – In initial drafts of the AHP, the consultant team evaluated the refined list of strategies based on the following criteria: Administrative Burden (staff time and resources required to establish and implement the tool), Feasibility (legal, political, and practical considerations), Flexibility (ability to support multiple goals or change over time as needs and market conditions evolve), and Impact (revenue potential or degree of benefit to affordable housing production or preservation). The team’s evaluations are summarized in Tables 2 – 4.

4. **Consult with the Affordable Housing Task Force** – The consultants and staff discussed the potential housing strategies with an advisory task force consisting of nonprofit housing developers, housing finance experts, housing advocates, and Tigard residents. The Task Force helped further refine the strategies that are recommended in the AHP.

5. **Revise AHP and recommendations** – Based on discussions with staff and the Affordable Housing Task Force, the consultant team revised the initial drafts of the AHP and provided revised recommendations and implementation measures. Based on additional staff and Task Force review, the consultant team has provided final recommendations for each strategy, summarized in Table 6.

In researching affordable housing strategies for the AHP and Background Report, the consultant team relied on its own research conducted for other jurisdictions in Oregon, on other affordable housing or anti-displacement strategy reports prepared for other communities, and on best practice and case study research for housing policies and programs in Oregon and beyond.¹

### 1.2 Overview of Housing Strategies

This section includes a brief description of each strategy discussed in the Affordable Housing Plan. Section 3 provides more detailed descriptions of each strategy, and Appendix A provides additional information.

(Note: the strategies for **Tax Increment Financing (TIF) Set Aside** and **Addressing Restrictive CC&Rs** were not yet fleshed out in the Background Report, and are only briefly mentioned in Appendix A. **City Support for Resident Services** was added after the Background Report was completed, and is not included in Appendix A).

¹A key resource used for this report is the **Beaverton Affordable Multifamily Housing Preservation and Development Study**, which was authored jointly by Angelo Planning Group and ECONorthwest. The final report from that study is dated May 29, 2018.
**Strategy Summary Table**

The full list of strategies that are included in the Draft AHP are summarized in Table 1.

*Table 1: Summary of Housing Strategies*

<table>
<thead>
<tr>
<th>Tool</th>
<th>Primary goal</th>
<th>Potential City Role(s)</th>
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<tbody>
<tr>
<td><strong>Funding Sources</strong></td>
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<tr>
<td>1. Construction Excise Tax</td>
<td>Establish permanent affordable housing funding source</td>
<td>Program lead</td>
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<tr>
<td>2. CDBG Entitlement</td>
<td>Establish permanent affordable housing funding source</td>
<td>Partnership with Washington County</td>
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<td>3. TIF Set Aside</td>
<td>Establish affordable housing funding source</td>
<td>Program lead</td>
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<td><strong>Tools that Remove Development Barriers</strong></td>
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<td>4. Reduced or Exempted SDCs</td>
<td>Reduce development costs</td>
<td>Develop and implement policy</td>
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<tr>
<td>5. Development Fee Reductions</td>
<td>Reduce development costs</td>
<td>Program lead</td>
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<tr>
<td><em>(not recommended)</em></td>
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<tr>
<td>6. Tax Abatements</td>
<td>Reduce operating costs</td>
<td>Program lead</td>
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<tr>
<td>7. Addressing Restrictive CC&amp;Rs</td>
<td>Reduce restrictions on properties</td>
<td>Develop and implement policy</td>
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<td><strong>Programs to Develop or Preserve Affordable Housing</strong></td>
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<td></td>
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<tr>
<td>8. Inclusionary Zoning <em>(not recommended)</em></td>
<td>Promote construction of new affordable housing units</td>
<td>Program lead</td>
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<td>9. Preservation of Low Cost Market Rate (LCMR) Housing</td>
<td>Protect affordable housing units and reduce displacement</td>
<td>Program lead</td>
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<td>10. Tenant and Homeowner Protections</td>
<td>Stabilize existing housing and reduce displacement</td>
<td>Program lead or funding partner</td>
</tr>
<tr>
<td>11. Incentive Zoning</td>
<td>Increase development flexibility / reduce housing costs</td>
<td>Develop and implement standards</td>
</tr>
<tr>
<td>12. Community Land Trusts</td>
<td>Reduce land costs / develop long-term affordable housing</td>
<td>Partner with an existing nonprofit, recruit new nonprofits, and/or provide funding</td>
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<tr>
<td>13. Land Banking &amp; Acquisition</td>
<td>Reduce land costs</td>
<td>Program lead or funding partner</td>
</tr>
<tr>
<td>14. Staff Allocation to Housing Program</td>
<td>Increase administrative capacity to implement housing strategies</td>
<td>Program lead</td>
</tr>
<tr>
<td>15. City Support for Resident / Supportive Services</td>
<td>Stabilize existing housing and reduce displacement</td>
<td>Funding partner</td>
</tr>
</tbody>
</table>
Funding Sources

A robust set of housing preservation and development programs requires funding sources that are stable and flexible. In addition to existing, available tools such as the general fund, the City should pursue new funding sources that can help to fund its programs—both existing programs and new programs recommended in this report. This section outlines the new funding sources considered for Tigard’s Affordable Housing Plan.

1. **Construction Excise Tax**

A construction excise tax (CET) is a tax on construction projects that can be used to fund affordable housing. According to state statutes, the tax may be imposed on improvements to real property that result in a new structure or additional square footage in an existing structure. Cities and counties may levy a CET on residential construction for up to 1% of the permit value; or on commercial and industrial construction, with no cap on the rate of the CET. The allowed uses for CET funding are defined by state statutes, and include funding developer incentives, affordable housing programs, supporting the Oregon Housing and Community Services’ (OHCS) homeowner programs, and covering administrative costs.

2. **CDBG Entitlement**

The Community Development Block Grant (CDBG) Entitlement Program is a federal program administered by the Department of Housing and Urban Development (HUD). The program provides annual grants to entitled cities and counties to “develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons.”[^1] CDBG funds can be used for activities that support affordable housing, but they cannot be used to construct new housing. Eligible activities that may support affordable housing include acquisition of real property, rehabilitation of residential structures, and construction of public facilities and improvements (such as water, sewer, streets, neighborhood centers) that might support a new affordable housing development. This plan evaluates both individual CDBG entitlement for Tigard and joint entitlement with Washington County. *NOTE: Earlier drafts of the AHP and Background Report also explored the federal HOME program, but participation in that program is not recommended at this time.*

3. **Tax Increment Financing (TIF) Set Aside**

Tax Increment Finance (TIF) revenues are generated by the increase in total assessed value in Tigard’s urban renewal areas from the time the districts were first established. Tigard has two Urban Renewal Areas (URAs): the City Center URA and Tigard Triangle URA. The City already uses TIF funding to acquire real property, to construct public improvements that act as incentives for private sector residential development, and to assist with the costs of selected residential development projects that support urban renewal plan goals. By setting aside a portion of the URA funding specifically for housing, the funds can be used to incentivize development of additional housing and/or affordable housing in targeted areas. Tigard is already considering a potential TIF set aside for market rate and affordable housing as part of the Tigard Triangle Equitable Urban Renewal Plan.
Implementation Strategy, which will prioritize urban renewal plan projects in the Triangle in 2018-19. Also, the City has already approved development assistance funds for the Red Rock Commons project in the Tigard Triangle, which is being developed by Community Partners for Affordable Housing (CPAH).

Tools that Remove Development Barriers

Strategies in this category address some of the barriers to the production of housing—particularly affordable housing. A primary strategy in removing barriers is making housing development more financially viable by reducing fees or other costs (Strategies #4–#6). Restrictive legal requirements are also addressed under Strategy #7.

4. Reduced or Exempted System Development Charges (SDCs)

This strategy describes various means of reducing System Development Charges (SDCs) for affordable housing, or for smaller housing types, with the goal of reducing the cost of development. This could involve reducing, waiving, exempting, deferring, financing, or subsidizing SDCs for certain types of housing, or reconfiguring how SDCs are calculated. Many SDC methodologies are intended to be commensurable with the cost or impact to the system. However, some missing middle housing types, such as accessory dwelling units (ADUs) or other smaller units, do not match the impact levels assumed in SDC methodologies. This is because the impact of these types of housing on the need for water, sewer or transportation facilities is not equivalent to that of other housing units, given the reduced average size and occupancy of smaller units. The City of Tigard has already adopted (in March 2018) provisions that exempt regulated affordable housing from paying the City’s transportation and parks SDCs, and in 2019 is also working to exempt ADUs from paying City SDCs. Additional strategies to reduce the barrier that SDCs impose on housing development are evaluated in this plan.

5. Development Fee Reductions

Development fee reduction is a strategy to reduce, waive, or defer development fees, such as permit fees, in order to promote the development of affordable housing. Permit fees add cost to a development, so reducing these costs also reduces development barriers. Note: this strategy is not recommended at this time.

6. Tax Abatements

Tax abatements are reductions in property taxes for affordable housing. Abatements may include full or partial tax exemptions, or freezes on the assessed value of properties. Abatements may be provided to non-profit corporations or to private developers in exchange for developing new affordable housing or for rehabilitating and preserving affordability for existing low-cost housing. Common tax abatement programs include vertical housing programs that provide property tax exemptions for development that reaches a certain height, and multifamily housing tax exemptions. The City already employs certain tax abatement programs, but additional abatements are evaluated in this plan.
7. **Addressing Restrictive CC&Rs**

Many subdivisions and planned unit developments (PUDs) in the City of Tigard, and other cities across the state, adopt private contractual agreements among homeowners that place certain restrictions on uses, activities, and improvements in the development. These are generally referred to as Covenants, Conditions and Restrictions (CC&Rs), and are typically administered by some type of Homeowner Association (HOA). Some CC&Rs prohibit more than one dwelling unit on a single lot, which has the effect of prohibiting development of ADUs and missing middle housing types (such as duplex, triplex, townhomes, or clustered housing), which would otherwise provide more affordable options in single-family zones. The strategy discussed in this report would prevent CC&Rs in future housing developments from prohibiting these needed housing types.

**Tools to Develop or Preserve Affordable Housing**

Strategies in this category are geared toward increasing the number of affordable units—both through new construction and preservation of existing affordable housing—and helping keep residents in their homes. Strategies include a mix of programs for which the City could take the lead role, partnerships with other organizations, and programs in which the City would play more of a supporting role.

8. **Inclusionary Zoning**

Inclusionary zoning (IZ) (sometimes known as inclusionary housing) is a tool used to produce affordable housing for low- to moderate-income households within new market-rate residential developments. Typically, IZ is implemented through an ordinance with mandatory requirements that a minimum percentage of a new development’s total units be designated as affordable, and that these units remain affordable for a set period of time, usually between 10 and 20 years. Often, this ordinance applies only to developments with a minimum number of units. Oregon legislation allowing IZ places restrictions on the size and types of development eligible for IZ and also requires cities to administer a number of associated programs. These include a fee-in-lieu option and establishment and on-going administration of the required “finance-based incentives” meant to offset the costs to developers. *Note: This strategy is not recommended at this time.*

9. **Preservation of Low Cost Market Rate (LCMR) Housing**

Low cost market rate (LCMR) housing refers to housing with rents that fall below the average rents for an area, but which are not income-restricted or regulated by or through an agreement with a government agency. It can also be referred to as “naturally occurring affordable housing” or “filtered housing.” There are a number of reasons LCMR housing is affordable: properties may be poorly maintained; located in areas with poor economic growth, aging infrastructure, or a lack of investment; or simply located in less affluent neighborhoods. Many LCMR housing units are at risk of losing their affordability as property values increase. There are several tools that are aimed at preserving LCMR housing. Several different approaches to implementing this strategy are evaluated in this report.
10. Tenant and Homeowner Protections
Tenant protections include local regulations and enforcement programs that provide protections for tenants of existing affordable housing and low cost market rate (LCMR) housing against evictions, excessive rent increases, discrimination, and health and safety violations. Tenant protections can also provide various types of assistance to renters. Homeowner protections could include education as well as financial and technical assistance to stabilize and combat predation of low- and moderate-income homeowners. The purpose of these protections is to help tenants and homeowners access and retain housing. Evaluation of this strategy is described in terms of three types of activities: (1) Rent stabilization or control; (2) Other city policies regarding tenant or homeowner protection; and (3) Specific programs to implement the policies. Programs include registration and inspection, rental relocation assistance, and landlord/tenant mediation programs for renters, as well as educational, advocacy and financial assistance programs for homeowners.

11. Incentive Zoning
Incentive zoning is a tool implemented through the Community Development Code that creates incentives to developers to provide a community benefit (such as affordable housing), in exchange for the ability to build a project that would not otherwise be allowed by the code. The purpose of incentive zoning is to encourage development of affordable housing and to increase its financial feasibility. This plan evaluates the following types of incentives as part of this strategy: density and/or height bonuses, reduced parking requirements, and relief from mixed-use requirements. The last item refers specifically to the requirement to include a ground-floor retail or commercial use below housing units in a commercial zone.

12. Community Land Trusts
A Community Land Trust (CLT) is a model wherein a community organization owns land and provides long-term ground leases to low-income households to purchase the homes on the land, agreeing to purchase prices, resale prices, equity capture, and other terms. This model allows low-income households to become homeowners and capture some equity as the home appreciates but ensures that the home remains affordable for future homebuyers. CLTs may also lease land to affordable housing developers for the development of rental housing or may develop and manage rental housing themselves. This plan evaluates various ways that the City of Tigard could provide support to existing CLTs to increase their capacity and expand operations in the city.

13. Land Banking & Acquisition
Land acquisition is a tool to secure sites for affordable housing. Public agencies can identify locations where land prices are increasing and acquire land before the market becomes too competitive, with the intention to use the land for affordable housing. The ability to identify promising sites within these locations and act quickly and efficiently in acquiring them can tip the scales to make an affordable housing development financially feasible. Land banking is the acquisition and holding of properties for extended periods without immediate plans for development, but with the intent that properties will eventually be developed for affordable housing. Land banks are often quasi-
governmental entities created by municipalities to effectively manage and repurpose an inventory of underused, abandoned, or foreclosed property. Public agencies or larger nonprofits may be better equipped than small community development corporations to do both land acquisition and land banking.

**14. Staff Allocation to Housing Program**

As a strategy to increase the City’s administrative capacity for addressing affordable housing issues and provide more effective and efficient use of resources, the City could consider dedicating one or more full or part-time staff members to these efforts. The dedicated staff member could oversee affordable housing programs, develop housing policy, and serve as a liaison to the City’s housing partners, including non-profits, Washington County, Metro, and other local, regional, or state partners. This plan explores a long-term plan for the City to develop its staffing capacity for housing-related work.

**15. City Support for Resident Services or Supportive Housing Services**

This strategy involves the City extending support to existing providers of resident services and supportive housing services, which are typically nonprofit agencies. Housing enriched with “resident services” refers to permanent (regulated) rental housing that is focused on increased opportunity and self-sufficiency for residents, with at least one person on-site providing the coordination of services. “Supportive housing” is most often a strategy for addressing homelessness and is widely believed to work well for those who face the most complex challenges—very low incomes, substance abuse, mental health issues, chronic illness, diverse disabilities, or other serious challenges to stable housing. Resident and supportive services are typically provided to those earning very low incomes (30% AMI or less), and have been identified as a critical funding gap in the provision of housing for these higher-need populations. This strategy explores ways that Tigard could help fill this gap in order to reinforce local and regional affordable housing investments.
Section 2: Strategy Evaluation

In order to assess the suitability of potential affordable housing strategies for the City of Tigard, the consultant team evaluated each strategy based on a set evaluation criteria. The criteria, summarized below, were developed with input from City staff. The criteria fall into four categories: Administrative Investment, Feasibility, Flexibility, and Impact. Application of these criteria varies somewhat between the different categories of tools (e.g. funding sources vs. tools that remove development barriers), but generally address the following types of questions:

- **Administrative Investment.** How much staff time and resources (financial or otherwise) are required to establish the tool? Is it difficult or costly to administer once it is in place? For funding sources, the easier it is to administer the tax or fee, the more net revenue will be available for housing production or preservation. For other tools, this criterion assesses the costs to establish and administer a given tool.

- **Feasibility.** Will stakeholders accept or support the tool? Is the tool legal? Are there other barriers to consider? Political acceptability considers whether elected officials and the public at large are likely to support the funding source. If the tools are dependent on the action of another organizational entity, the tool is likely to be less feasible than if the City controls all aspects of tool implementation.

- **Flexibility.** Can the tool be flexibly used to achieve multiple outcomes? Does it have legal limitations or other barriers that limit its utility for achieving housing affordability goals? This category considers limitations on the types of projects that can be implemented with a given tool. Given development market cycles, a funding source especially may be less useful to the City if its use is limited to certain types of projects.

- **Impact.** How many units or dollars might be produced or preserved, relative to other tools? For funding sources, this category considers revenue-generating capacity and stability. For all tools, this criterion also considers whether the City can leverage resources from other partners using this tool.

*Table 1: Summary of Housing Strategies* provides an evaluation of each potential housing strategy against each of the four criteria. For each strategy, we provide a qualitative assessment relative to each criterion that includes a short narrative and a score using the following color categories:

<table>
<thead>
<tr>
<th>Color</th>
<th>Description</th>
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<tbody>
<tr>
<td>Good</td>
<td>Good / Few drawbacks</td>
</tr>
<tr>
<td>Okay</td>
<td>Okay / Some drawbacks</td>
</tr>
<tr>
<td>Difficult</td>
<td>Difficult / More drawbacks</td>
</tr>
<tr>
<td>Unknown</td>
<td>Unknown</td>
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</table>

*Table 2: Evaluation of Strategies* provides the summary of the evaluations for each potential housing strategy (including those that are not recommended), based on the scoring depicted in Table 1. The evaluations reflect the recommendations to this report. Versions of the evaluation tables in previous
drafts (see Appendix B) were used as a guide for recommendations and include discussions of consistency with each evaluation criteria.

Table 2: Evaluation of Strategies

<table>
<thead>
<tr>
<th>Funding Sources</th>
<th>Administrative Investment</th>
<th>Feasibility</th>
<th>Flexibility</th>
<th>Impact</th>
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<tr>
<td>Local Construction</td>
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<td>Excise Tax (CET)</td>
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<td>CDBG Entitlement</td>
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<td>Tax Increment Financing (TIF)</td>
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<td>Tools that Remove Development Barriers</td>
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<td>Reduced or Exempted SDCs</td>
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<tr>
<td>Development Fee Reductions (not recommended)</td>
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<td>Tax Abatements</td>
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<td>Tenant and Homeowner Protections</td>
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<td>Incentive Zoning: Density Bonus</td>
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<td>Reduced Parking Requirements</td>
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<td>Relief from Mixed-Use Requirements</td>
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<td>Community Land Trusts</td>
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<td>City Support for Resident Services</td>
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Section 3: Policy Options, Recommendations & Implementation Steps

This section outlines policy options and provides guidance for the City of Tigard as it moves toward implementing the recommended affordable housing strategies. Each section includes an overview of how the strategy would work, what the City’s options are, likely implementation steps, potential funding sources and uses, potential partners, and additional considerations.

The City and its partners are not expected to be able to advance all of the recommended programs at once. Instead, the City will need to strategically work with partners to phase in tools over time, beginning in some cases with a pilot program to gain experience and tailor programs for more effective implementation. In other cases, more research is needed as a first step to design a program that works for Tigard.

3.1 Funding Sources

A robust set of housing preservation and development programs requires funding sources that are stable and flexible. In addition to existing, available funding tools, the City will need to pursue new funding sources that can help to fund its programs. This section outlines the recommendations for increasing funding for affordable housing.

1. Construction Excise Tax

HOW THE STRATEGY WORKS: In 2016, the Oregon Legislature passed Senate Bill 1533 which permits cities to adopt a construction excise tax (CET) on the value of new construction projects to raise funds for affordable housing projects. If the City were to adopt a CET, the tax would be up to 1% of the permit value on residential construction and an uncapped rate on commercial and industrial construction.

The allowed uses for CET funding are defined by the state statute. The City may retain 4% of funds to cover administrative costs. If the City uses a residential CET, the funds remaining must be allocated as follows:

- 50% must be used for developer incentives (e.g. fee and SDC waivers/exemptions, tax abatements, etc.)
- 35% may be used flexibly for affordable housing programs, as defined by the jurisdiction.
- 15% flows to Oregon Housing and Community Services for homeowner programs.

If the City implements a CET on commercial or industrial uses, 50% of the funds must be used for allowed developer incentives (for use in housing) and the remaining 50% are unrestricted. The rate may exceed 1% if levied on commercial or industrial uses. For CET revenues generated from
commercial or industrial development, Oregon statute does not clearly define what type of housing (affordable or market rate) receives the funds.

Since the uses of residential CET differ from that of commercial/industrial CET, per the minimum requirements of the statute (ORS 320.195), the City may want to track these funds separately.

**FUNDING SOURCES AND REVENUE POTENTIAL:** Revenue comes from new development that is subject to the CET at the time the building permit is issued. No additional new funding would be needed for program administration, as CET allows 4% of the revenues generated through CET to be retained to cover administrative costs.

Over the prior 10 fiscal years (2009 – 2018), residential construction has accounted for roughly 80% of the new property value from construction, and 20% has been commercial. Over this period, a 1% CET applied to all new construction would have generated an estimated average of $745,000 in revenue per year. Since 2016, the estimated annual revenue would have been over $1 million annually.\(^2\) (There can be significant fluctuation in annual construction due to development cycles.)

Because commercial construction has made up a smaller share of overall construction value over this period, a doubling of the commercial CET rate to 2% would increase overall revenue by 21%. While the commercial CET rate is technically open ended, the negative impact on project feasibility of each increment should be considered.

The hypothetical estimated revenue from a CET over the prior ten-year period is shown in Table 3.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>#Permits</th>
<th>Value</th>
<th>CET Rate</th>
<th>CET Revenue</th>
<th>w/ Comm. CET of 2%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Residential</td>
<td>Commercial</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>#Permits</td>
<td>Value</td>
<td>#Permits</td>
<td>Value</td>
<td>Total</td>
</tr>
<tr>
<td>2009</td>
<td>42</td>
<td>$9,324,154</td>
<td>4</td>
<td>$1,944,775</td>
<td>1%</td>
</tr>
<tr>
<td>2010</td>
<td>123</td>
<td>$27,972,462</td>
<td>4</td>
<td>$2,003,118</td>
<td>1%</td>
</tr>
<tr>
<td>2011</td>
<td>113</td>
<td>$28,150,102</td>
<td>5</td>
<td>$837,655</td>
<td>1%</td>
</tr>
<tr>
<td>2012</td>
<td>104</td>
<td>$27,794,839</td>
<td>5</td>
<td>$2,589,566</td>
<td>1%</td>
</tr>
<tr>
<td>2013</td>
<td>174</td>
<td>$41,954,242</td>
<td>8</td>
<td>$20,053,155</td>
<td>1%</td>
</tr>
<tr>
<td>2014</td>
<td>72</td>
<td>$21,410,225</td>
<td>9</td>
<td>$24,964,563</td>
<td>1%</td>
</tr>
<tr>
<td>2015</td>
<td>280</td>
<td>$45,546,665</td>
<td>10</td>
<td>$31,518,023</td>
<td>1%</td>
</tr>
<tr>
<td>2016</td>
<td>242</td>
<td>$81,847,774</td>
<td>5</td>
<td>$18,381,597</td>
<td>1%</td>
</tr>
<tr>
<td>2017</td>
<td>450</td>
<td>$156,457,972</td>
<td>7</td>
<td>$12,874,739</td>
<td>1%</td>
</tr>
<tr>
<td>2018</td>
<td>339</td>
<td>$147,036,484</td>
<td>12</td>
<td>$43,256,706</td>
<td>1%</td>
</tr>
<tr>
<td>Total:</td>
<td>1,939</td>
<td>$587,494,919</td>
<td>69</td>
<td>$158,423,897</td>
<td>1%</td>
</tr>
<tr>
<td>Average:</td>
<td>194</td>
<td>$58,749,492</td>
<td>7</td>
<td>$15,842,390</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: 2018 City of Tigard Comprehensive Annual Financial Report

A CET program can provide significant annual revenue to pay for affordable housing programs and to fund developer incentives. Table 4 shows a breakdown of annual revenue based on the average annual revenue from a hypothetical CET over the past ten years in Tigard.
Table 4: Breakdown of Estimated Annual Revenue from Hypothetical CET in Tigard, 2009 – 2018

<table>
<thead>
<tr>
<th>Category</th>
<th>Residential 1%</th>
<th>Commercial 1%</th>
<th>Commercial 2%</th>
<th>Total 1%</th>
<th>Total 1% / 2%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual CET Revenue (est.)</td>
<td>$587,500</td>
<td>$158,400</td>
<td>$316,800</td>
<td>$745,900</td>
<td>$904,300</td>
</tr>
<tr>
<td>Administration</td>
<td>4%</td>
<td>$23,500</td>
<td>$6,300</td>
<td>$29,800</td>
<td>$36,200</td>
</tr>
<tr>
<td>Developer Incentives</td>
<td>50%</td>
<td>$282,000</td>
<td>$76,100</td>
<td>$358,100</td>
<td>$434,100</td>
</tr>
<tr>
<td>Aff. Housing Programs</td>
<td>35%</td>
<td>$197,400</td>
<td></td>
<td>$197,400</td>
<td>$197,400</td>
</tr>
<tr>
<td>OHCS Homeownership</td>
<td>15%</td>
<td>$84,600</td>
<td></td>
<td>$84,600</td>
<td>$84,600</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>50%</td>
<td>$76,100</td>
<td>$152,100</td>
<td>$76,100</td>
<td>$152,100</td>
</tr>
</tbody>
</table>

Source: 2018 City of Tigard Comprehensive Annual Financial Report, Johnson Economics

The impact of a CET on development feasibility will vary depending on the land costs and other market variables. The addition of 1% to project hard costs will negatively impact return for the developer. For projects facing a viability gap, this will increase the size of the gap, generally at a greater than one-to-one rate (i.e. a 1% CET may increase the gap by 3%). For market-rate projects, the CET will generally reduce the developer/investors return, which provides a modest disincentive to develop in Tigard, but more likely attempts to save costs elsewhere, or seek higher rents on completion.

**FUNDING USES:** While the allowed uses for CET funding are defined by the state statute (see “How the Strategy Works”), the City has discretion to determine the following: which developer incentives are funded by the 50% set-aside for both residential and commercial/industrial CET; which programs are funded by the 35% flexible funds for a residential CET; and how the remaining 50% of the commercial/industrial CET is spent. Potential funding targets are described below.

- Developer Incentives:
  - SDC reductions or waivers – CET revenues can be used to back-fill lost City revenue from SDC reductions or waivers (described under Strategy #4). The Cities of Milwaukie and Newport, both of which recently adopted CETs for affordable housing, are looking at using CET funds to finance SDCs. Milwaukie plans to focus on incentives for “workforce housing,” which they are defining as housing that is affordable to those earning up to 120% AMI. Using CET to backfill the City’s existing SDC exemptions for affordable housing has already been identified as a high priority for Tigard’s Finance Department.
  - Tax exemptions – The City of Milwaukie is also looking into new tax exemptions for affordable housing, and potentially using CET revenues to back-fill lost property tax revenue. Tigard could consider doing the same for its existing or new tax exemption programs.
• Housing Programs – Flexible funds from CET revenues could be used to fund any of the programs identified in this plan as needing funding. These could include loans or grants to nonprofits to develop new housing or preserve low-cost market rate (LCMR) housing, grants to support community land trusts, or funding for resident/supportive housing services. The City of Newport intends to use its 35% flexible funds to provide annual supportive grants to local nonprofit housing developers.

• Other options – The City of Milwaukie plans to use the 50% flexible funds from its commercial/industrial CET to fund economic development programs in areas with Community Plans or in urban renewal areas.

**RECOMMENDATION:** Adopt a 1% CET on both residential and commercial/industrial development. Additional recommendations are detailed under “Implementation Steps.” This strategy, once implemented, can generate funds to provide a funding source for several other strategies explored in this report, such as reduced and exempt SDCs, development fee reductions, incentive zoning, and more.

Priority: High

**IMPLEMENTATION STEPS:**

• **Immediate actions:** Determine program parameters through financial and legal research and discussion with key stakeholders.
  
  o **Explore program scenarios.** To better understand and select among the options available through the statutes, the City should evaluate a number of scenarios that are tailored to the Tigard market and the specific program design, expanding on the preliminary analysis summarized above. For each scenario, the City should consider legal implications to ensure statutory compliance and engage developers in conversations about the implications of a CET on the feasibility of their development.
  
  o **Discuss CET with stakeholders.** The City should consider holding focus groups or forming an advisory committee to address concerns and discuss potential uses for CET funds. Stakeholder groups could include developers (both for-profit and nonprofit), Homebuilders Association, property owners, property managers, and real estate brokers. Receiving early buy-in from these groups should help facilitate a smooth adoption process for the CET.
  
  o **Develop budget projections.** Because CET is dependent on new construction, revenue will vary with market cycles. The City should consider reasonable assumptions for budgeting purposes.
  
  o **Consider bundling CET with developer incentives.** This is a strategy that worked well for the City of Newport, which bundled their CET with a package of SDC reductions and property tax exemptions. This helped assuage their City Council’s concerns that a CET might present a development barrier.
  
  o **Develop program structure.** Some aspects of the CET will need to be determined prior to adoption—these include:
- Whether to apply a CET to commercial/industrial development and what percentage tax to levy. We recommend a 1% CET on both residential and non-residential development. This is in line with what most other Oregon cities have adopted since the CET was passed by the state.

- What development is exempt from the CET. ORS 320.173 already exempts affordable housing for residents at or below 80% AMI, public or religious institution improvements, private school improvements, and other types of quasi-public uses. We recommend the City also exempt development valued at under $100,000 and accessory dwelling units. The City could also consider exempting regulated “workforce housing,” for those earning up to 100% or 120% AMI.

  o Develop priorities for funding allocation. Beyond the elements of program structure listed in the previous bullet, the City can decide how fully-developed the CET’s other parameters and spending targets should be before it is adopted. See the “Funding Uses” section above for a list of potential funding targets. Some level of flexibility may be beneficial to the CET being passed by City Council, so that the program is not fully baked in when it is adopted.

- Medium- and long-term actions:
  o Implement CET, including development and refinement of revenue projections to tie to the implementation of this strategy.
  o Work with stakeholders to flesh out the plan for funding allocation.
  o Revise funding priorities as the City’s affordable housing needs evolve.

**PARTNERS:** Developers are key stakeholders for a CET. Consider coordinating with other jurisdictions to avoid creating a disincentive to development in Tigard. Discussions with the City of Beaverton, which is also considering adoption of a CET, could be useful as Tigard develops its own policies.

**2. CDBG Entitlement**

**HOW THE STRATEGY WORKS:** The Community Development Block Grant (CDBG) Entitlement Program is a federal program administered by the Department of Housing and Urban Development (HUD). The program provides annual grants to entitled cities and counties to “develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons.” Currently, Tigard receives federal CDBG funding indirectly through Washington County, which has been a CDBG Entitlement Community since 1979 and receives a direct allocation of CDBG funds annually. Washington County administers funds throughout the urbanized portions of the county—except in the cities of Beaverton and Hillsboro—as part of the Washington County CDBG Consortium. This consortium is made up of the cities of Tigard, Forest Grove, Cornelius, Durham, King City, and unincorporated urban areas such as Metzger and Bethany. The City of Tigard currently participates
on the Policy Advisory Board (PAB) for CDBG consortium, making recommendations on policy and competitive grant awards.

The City of Beaverton elected to become a standalone entitlement recipient in 1994. In 2000, Hillsboro elected to become an entitlement community, but to remain in the consortium, an arrangement known as joint entitlement. In 2018, Hillsboro became a fully independent entitlement recipient.

Tigard’s population recently surpassed 50,000, which makes the City eligible to become a CDBG entitlement community. HUD determines the amount of each entitlement grantee’s annual funding allocation using U.S. Census data with a formula that takes into account several measures of community needs, including the extent of poverty, population, housing overcrowding, age of housing and population growth lag in relationship to other metropolitan areas. This formula is recalculated annually.

Now that the City is eligible, it has the option to elect for individual entitlement or to remain part of the County consortium. The opportunity to make this election occurs once every three years as part of a process called the Urban County Qualification. The City elected to remain in the consortium in 2015 and 2018. The city will be notified again in April of 2020 of its CDBG entitlement eligibility, and must take action within a few months of this notification to elect to become an entitlement city or remain in the consortium.

Aside from remaining in the County consortium under the current arrangement, the City has two options available when it comes to CDBG entitlement:

**Become a full CDBG entitlement grantee and leave the consortium.** This would mean that: the City would receive a full, direct funding allocation from HUD; it would manage its program independently; it would be directly responsible to HUD for programmatic compliance; and would not participate in the County PAB. While this option would give the City more flexibility in implementing and tailoring programs to its local housing goals and priorities, it would also come with significant administrative costs, as evaluated in

1. **Table 2.**

2. **Pursue a joint entitlement agreement with Washington County.** This arrangement would be similar to Hillsboro’s joint entitlement prior to becoming independently entitled. This would mean that the City would remain in the County consortium, and would receive a funding allocation set-aside from HUD via Washington County (not a direct allocation). Through an Operating Agreement with the County, Tigard’s allocation would be distributed according to a set formula, which is likely to follow the formula used during Hillsboro’s joint entitlement:
   - 20% to the County for administrative support
   - 15% to the County to support public services
   - 15% to the County to be awarded competitively
   - 50% to Tigard to be used for qualifying projects
The County would be responsible to HUD for all administrative work and programmatic compliance, and the City would continue participating in the PAB decision making, including grant awards. However, the City would not be able to compete for other County CDBG funds outside of its own set-aside. This arrangement would provide less funding for projects in Tigard, but may be more efficient from an administrative standpoint.5

Note: Previous drafts of the AHP also explored potential participation in the HOME Investment Partnerships Program (HOME), a related HUD program with a specific focus on increasing the supply of housing for low- and very low-income households. Washington County is currently a HOME Partner Jurisdiction, and supports affordable housing throughout the county. Direct participation in the HOME program is less common amongst Oregon cities than the CDBG entitlement program; the participants are larger cities—Portland, Salem, Eugene, and Corvallis. Further, cities must provide matching funds to participate. Because of its limitations, participation in the HOME program is not recommended at this time.

**FUNDING SOURCES AND REVENUE POTENTIAL:** Should the City pursue individual entitlement, the CDBG entitlement allocations for Beaverton and Hillsboro provide some guidance for Tigard, in terms of what the City could expect for annual funding. The City of Beaverton’s estimated funding allocation for the 2018/19 program year was $600,000. Hillsboro’s estimated allocation was $650,000.7 Based on U.S. Census 2017 population estimates for those cities, each received approximately $6 per capita in CDBG funding. Assuming a similar allocation for Tigard, the City could expect to receive approximately $320,000 annually, based on its estimated 2017 population of 53,148.8 However, as noted above, the actual allocation will be determined by HUD’s formula taking into account community needs.

Should the City pursue joint entitlement, it would likely receive approximately 50% of the funding allocation for programs and projects in Tigard (based on Hillsboro’s experience). Based on the per-capita allocation estimated above, the City could potentially expect to receive roughly $160,000 annually (City staff estimate the annual allocation at $130,000).9 While this is not a substantial sum on its own, it could be very beneficial in supporting the City’s housing programs when pooled with other funding sources such as CET.

**FUNDING USES:** CDBG entitlement funds can be used for activities that support affordable housing, but they cannot be used to construct new housing. Eligible activities that may support affordable housing include acquisition of real property, rehabilitation of residential structures, and construction of public facilities and improvements (such as water, sewer, streets, neighborhood centers) that might support a new affordable housing development. Several of the other strategies discussed in the AHP could be funded through CDBG funds. These include down payment assistance programs for low-income home buyers, low-income housing rehabilitation grants, and housing support services.

**RECOMMENDATION:** We recommend that the City pursue joint entitlement, in partnership with Washington County. This is consistent with the recommendation made by City of Tigard Community Development staff in a memorandum dated March 27, 2019.10 The lower administrative burden, combined with continued County support and collaboration, make this a logical step in expanding
federal funding for the City’s housing program. The City could potentially pursue full entitlement at a later time, after some years of experience with joint entitlement. This strategy, once implemented, can generate funds to provide a funding source for several other strategies explored in this report, such as reduced and exempt SDCs, development fee reductions, incentive zoning, and more. In addition, use of funding will be relatively flexible in comparison to revenues directed to projects in Tigard which are generated by the CDBG program today.

Priority: High

IMPLEMENTATION STEPS:

• Immediate actions:
  o Work with City Council to make a formal determination regarding joint entitlement option to pursue joint entitlement with Washington County.
  o Work closely with Washington County to establish—at least preliminarily—how the two jurisdictions would collaborate in the joint entitlement partnership.

• Medium term actions:
  o In response to the 2020 eligibility notification from HUD, elect to receive a joint entitlement as part of the Urban County Qualification.
  o Sign an intergovernmental agreement with Washington County to remain in the CDBG consortium.
  o Work with the County to develop an Operating Agreement that outlines terms under which the City’s allocation will be distributed. The County will remain the sole point of contact for HUD.
  o The City should continue to contribute to the Washington County Affordable Housing and Community Development Consolidated Plan—a five-year strategic plan that determines local needs and priorities for using public resources to assist low and moderate-income residents using federal funds. If feasible, the City could also seek a more involved position in preparation of the Plan. The next Consolidated Plan will cover the time period of 2020-2024 and the plan update process is currently underway (as of April 2019).
  o Develop a funding implementation strategy for spending CDBG funds. HUD requires that each entitlement community prepare an Annual Action Plan in support of the Consolidated Plan. While Tigard will not prepare its own action plan, it should be involved in contributing to the County’s Annual Action Plan.

• Long term actions:
  o Monitor and evaluate the program in the longer term, using metrics that will allow it to evaluate its impact on affordable housing preservation and development.
  o Periodically reevaluate the potential for full CDBG entitlement.
3. Tax Increment Financing (TIF) Set Aside

**HOW THE STRATEGY WORKS:** Tax Increment Finance (TIF) revenues are generated by the increase in total assessed value in Tigard’s urban renewal areas from the time the districts were first established. Tigard has two Urban Renewal Areas (URAs): the City Center URA and Tigard Triangle URA. The City already uses TIF funding to acquire real property, to construct public improvements that act as incentives for private sector residential development, and to augment the costs of selected development projects.

One of the objectives under Goal 5 of the Tigard Triangle Urban Renewal Plan is to “Assist in the development of affordable and workforce housing.” As for the City Center URA, while its plan does not identify affordable housing as a specific goal, it does indicate that TIF revenues generated by the URA may be used to fund or support development of housing that meets Tigard’s diverse housing needs. Therefore, the development of a more targeted strategy for developing affordable housing within its URAs is in line with the City’s goals for those areas. To reach its housing goals, the City could potentially create a TIF set aside that is more specifically targeted to affordable housing.

Potential uses for a set aside could include low interest loans, grants, or subsidize the costs of SDC’s. These strategies could help fund either acquisition and rehabilitation of existing affordable units or new construction.

It should be noted that the City may consider a potential TIF set aside for market rate and affordable housing as part of the Tigard Triangle Equitable Urban Renewal Implementation Strategy (A New Tigard Triangle), which will prioritize urban renewal plan projects in 2019. The development of criteria for prioritizing Urban Renewal projects has been developed, and the preservation and expansion of affordable housing should be a priority consideration for decision-makers involved in developing the strategy.

**FUNDING SOURCES AND REVENUE POTENTIAL:** TIF is funded by foregone revenue from overlapping taxing districts’ property tax revenues on properties within Tigard’s Urban Renewal Areas. The Town Center Development Agency (TCDA) is the body in charge of overseeing planning and implementation for both of the City’s URAs.

In 2016-2017, the TCDA reported approximately $440,500 in TIF revenues, and projected $536,700 for 2017-2018. In combination with other financing sources, the total TDCA budget for 2017-2018 was roughly $1.4 million. The capital outlay for the same fiscal year was expected to be $805,000. Because the Tigard Triangle URA was only formed in 2017, all of that capital spending took place in the City Center URA. The combined TIF revenue for both URAs in 2020 is projected to be approximately $900,000.

To support Tigard’s affordable housing goals, the TCDA could create a TIF set aside—either as an absolute amount or as a percentage of each year’s TIF revenues. This could be applied to one or both of the City’s URAs.

For local examples of similar TIF set asides, the City of Beaverton Urban Renewal Agency’s (BURA) budget allocates $300,000 to $400,000 per year in tax increment set aside for joint investment in
affordable housing. Over a five-year period, this amounts to approximately 3.4% of the City’s URA budget.\textsuperscript{11} In FY16-17, BURA applied $200,000 of the tax increment towards subsidized SDCs for the development of 15 affordable, regulated housing units.\textsuperscript{12} The City of Portland sets aside 45% of TIF revenue to be used for affordable housing programs and investments to support development of new housing for households at or below 100% of AMI. Affordability targets and programmatic uses vary by urban renewal area.\textsuperscript{13}

**FUNDING USES:** TIF can be used to finance a wide range of activities or strategies for projects inside the urban renewal areas, including land acquisition, predevelopment services, SDC relief, joint development agreements, forgivable or low-interest loans, grants, and site prep or infrastructure needs. TIF cannot be spent outside of the URA boundaries and can only be used for capital investments. As such, the best use for TIF funds will be to support specific affordable housing development projects inside of the URAs. TIF funds have already been dedicated to supporting a new affordable housing project in the Tigard Triangle URA that is being developed by Community Partners for Affordable Housing (CPAH).

TIF can be used proactively and reactively to support affordable housing:

- **Proactive, property-specific:** In this approach, the City or the TCDA would identify specific buildings (low-cost market rate units) to invest in (rehabilitate in exchange for long-term affordability) or partner to acquire. The TCDA could also identify property it owns or acquire land to develop jointly with non-profit developers.

- **Reactive:** If market-rate developers come forward, TIF can be used to incent affordable unit production through paying SDC fees or other forms of subsidy. If affordable developers control property in the URA and would like to develop, TIF could be used to support the project or help create units that are affordable at a deeper level of subsidy.

**RECOMMENDATION:** Create a TIF set-aside for affordable housing development and programs in both the Tigard Triangle and City Center URAs. Consider the difference in maturity and revenue potential between the two URAs. The Tigard Triangle URA is a new urban renewal area, but due to its size and development potential, is expected to have an overall greater capacity and revenue potential than the City Center URA. The target for both URAs could be to begin setting aside funds for affordable housing projects as a medium-term action, over the next 5 years or so. The City Center URA already has funds allocated for the next two to three years, so an affordable housing set aside would have to wait until there are more funds to allocate. The Tigard Triangle URA needs time to accumulate TIF funds to allocate. Also, the City Center URA is nearing the end of its lifespan, but a Council goal for 2019-2021 is to explore alternatives for renewing or reconfiguring the URA. Potential recommended set-aside amounts range from 5% to 15% annually for both URAs. This strategy, once implemented, can generate funds to provide a funding source for several other strategies explored in this report.

**Priority:** High
IMPLEMENTATION STEPS:

• **Immediate actions:**
  - Coordinate efforts with the Tigard Triangle Equitable Urban Renewal Implementation Strategy to develop urban renewal project criteria, and to encourage prioritization for projects that are focused on affordable housing.
  - Determine appropriate allocation amount for both URAs; discuss with key stakeholders.
  - Coordinate with the Town Center Advisory Commission (TCAC) for recommendation to the Board of the Town Center Development Agency.
  - Board of the Town Center Development Agency consideration of adopting policy.
  - Clarify priorities for TIF use, including identifying specific properties that are inside the URAs that might be targets for investment.
  - Consider amendments to Urban Renewal Plans to incorporate the dedicated allocation.

• **Medium- and long-term actions:** Implement projects in the URAs as described above.

**PARTNERS:** Market-rate and affordable housing developers, Town Center Development Agency (TCDA), Town Center Advisory Commission (TCAC), overlapping taxing districts.

**ADDITIONAL CONSIDERATIONS:** In many cases, affordable housing projects are tax exempt, and therefore do not contribute to the growth of tax increment revenues. Investments should be made with this trade-off in mind. For some overlapping taxing districts (Tualatin Valley Fire and Rescue, in particular), new residential development in an urban renewal area (whether affordable or market-rate) adds service load without adding revenue. Including them in conversations about priorities for affordable housing is therefore helpful for their planning purposes.

### 3.2 Tools/Programs that Remove Development Barriers

This section provides additional information for each of the recommended programs that remove barriers to development of affordable housing.

#### 4. Reduced or Exempted SDCs

**HOW THE STRATEGY WORKS:** Tigard collects System Development Charges (SDCs) for water, sewer, transportation, and parks. Other agencies (including Washington County, Clean Water Services, and Tigard-Tualatin School District) also charge SDCs or similar taxes and fees for development in Tigard. As of March 2018, Tigard already exempts regulated affordable housing from the City’s Transportation and Park SDCs. At one point, Tigard also exempted ADUs from SDCs. However, the City returned to charging SDCs for ADUs after determining that it was legally obligated to collect SDCs until the exemption was reflected in the municipal code. The City is currently working to make the needed code amendments that would legally allow the SDC exemptions for ADUs.
Some jurisdictions offer full or partial SDC exemptions for affordable housing developments or subsidize them with funding from another source (e.g., urban renewal/TIF or general fund). A related type of program can allow developers of affordable housing and/or desired market-rate residential development to defer or finance payment of SDCs, which can reduce up-front costs and financing costs for the developer. As noted, Tigard already has these types of provisions for regulated affordable housing.

In addition, because the City of Tigard controls only about 50% of the total SDC fees for multifamily housing (see Table 5), and overlapping service providers have not expressed willingness to allow exemptions without back-filling them up to this point, the City’s ability to fully implement this type of program or see a significant impact from it is limited.

Table 5: Summary of SDCs for Multifamily Development in Tigard (estimated)

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>SDC</th>
<th>Rate</th>
<th>Percent of Total SDCs (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CWS</td>
<td>Stormwater SDC</td>
<td>$245 per unit</td>
<td>1%</td>
</tr>
<tr>
<td>CWS</td>
<td>Sanitary Sewer SDC</td>
<td>$5,650 per unit</td>
<td>20%</td>
</tr>
<tr>
<td>Tigard-Tualatin or Beaverton SD</td>
<td>School Excise Tax</td>
<td>$1.30 per square foot</td>
<td>5%</td>
</tr>
<tr>
<td>Metro</td>
<td>Construction Excise Tax</td>
<td>0.12 percent of the improvement value</td>
<td>1%</td>
</tr>
<tr>
<td>Washington County</td>
<td>Transportation Development Tax</td>
<td>$5,696 per unit</td>
<td>20%</td>
</tr>
<tr>
<td>City of Tigard</td>
<td>Parks SDC</td>
<td>$5,941 per unit</td>
<td>21%</td>
</tr>
<tr>
<td>City of Tigard</td>
<td>Transportation SDC</td>
<td>$3,672 per unit</td>
<td>13%</td>
</tr>
<tr>
<td>City of Tigard</td>
<td>Water Meter</td>
<td>(based on meter size)</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td>City of Tigard Subtotal</td>
<td></td>
<td>54%</td>
</tr>
</tbody>
</table>

Source: City of Tigard System Development Charges; Sample SDCs for 12-unit apartment building (provided by City staff)

The combined SDCs charged for multifamily development in Tigard are high in comparison to many competing markets. A recent SDC survey by the Homebuilders Association across the Metro area found that Tigard’s multifamily SDCs are well above average and roughly 165% of the median of the 42 cities and unincorporated areas studied. For the building modeled in this study, Tigard SDCs ranked near the highest, trailing only the recent urban growth boundary (UGB) expansion areas. The City charges for water, sewer, transportation and parks were among those components that are higher on average.

For the hypothetical building modeled in this study, the average SDCs across the communities is 22% of the estimated project value, while Tigard’s SDCs are estimated at 38% of the value. Accordingly, some reduction of these charges can be expected to create a significant incentive over the current charges, but may only put Tigard on par with some other communities depending on the size of the discount.

Regarding ADUs, City staff recently compiled a comparison of SDC fees charged for ADUs in cities and counties across the Portland metro region (and a handful of cities outside the region). The study
revealed that the SDC fees that Tigard charges for ADUs in the River Terrace area ($31,498) are the highest amongst the jurisdictions examined. (Staff noted that they do charge the lowest available rate—that for townhouses). Several jurisdictions exempt ADUs from paying SDCs, but among those that do not, the lowest rate is $4,886 for attached ADUs in Gresham. The median fee (for those that charge fees) is $13,261. The full SDC comparison table is provided in Appendix B.

Tigard has several options to continue or to further reduce the cost of SDCs for specific types of housing. The recommended approaches are described below.

RECOMMENDATIONS:

A. Offer deferral and financing of SDCs at a low interest rate for desired housing types

As noted above, Tigard already exempts affordable housing from paying City-controlled SDCs. SDC deferral and financing could be a tool for removing barriers to development of other (non-subsidized) housing types that provide affordable options—such as missing middle housing (duplex, triplex, townhomes, or clustered housing). SDC deferrals typically allow a development to delay payment of the fees for a specified period of time (e.g., 6, 9 or 12 months) or until the certificate of occupancy is issued, rather than at the time the building permit is issued. SDC deferral can be combined with SDC financing so that payments begin after one year and continue for a certain number of years (e.g., 10 years). The City could offer a lower interest rate (e.g., 0.25% above the Oregon Prime rate) and/or allow the lien to be in second position for affordable housing developments. The City could work with other service providers to such an SDC deferral and financing program for certain types of housing developments.

With deferral or financing for SDCs, the fiscal impacts to the City and its partners is minimal because charges are eventually paid. The period of repayment should not be a detriment to public agencies that operate on indefinite timelines. A financing program can be more beneficial to the property owner because SDCs are paid gradually, rather than in a lump sum soon after the completion of the project. However, a financing program also brings additional administrative requirements and costs to the City to track and collect payments over time.

Priority: Medium

B. Participate in a regional process with other Washington County service providers to lower non-City SDCs

The discussion of reducing other non-City SDCs has arisen in a number of other housing studies for jurisdictions in Washington County. Tigard, in collaboration with other local jurisdictions could spearhead a comprehensive discussion with these other service providers about a regional approach to SDC reductions in Washington County. Conversations on exemptions for the County’s Transportation Development Tax (TDT) have already started, but have stalled in recent months. The adoption of Tigard’s Affordable Housing Plan could be an opportunity to resume these discussions.

Priority: Medium
C. Update the City’s SDC methodology to tie fees to dwelling size.

The City could also conduct a more comprehensive overhaul of its SDC methodologies and fees. The methodology could be updated to charge a fee based on the size and category of residential units—an approach recently adopted by the City of Newport. Newport now calculates residential SDCs for water, wastewater, transportation on a per-square-foot basis, and provides lower per-unit storm drainage and parks SDC rate for smaller homes. The methodology assesses a “small home” rate for single-family dwellings under 1,700 SF. For example, under the water SDC methodology, small homes such as duplexes, row-houses, and ADUs will be assessed the “small home” rate of $0.60/SF. Meanwhile, larger homes will be charged $0.60/SF for the first 1,700 SF; $0.48/SF for 1,701 to 2,900 SF; and $0.39/SF for the area above 2,900 SF. This strategy provides a more equitable approach to SDC fees, and reduces barriers to construction of more affordable, smaller-scale homes, including missing middle and other alternative housing forms. This also could address concerns about exempting certain categories of housing. At the same time, it likely would result in an increase in allowed SDCs for all other development to make up for the reduction for affordable housing developments.

The City should consider a similar approach to Newport’s when it next undertakes full reviews of its SDC calculation methodologies.

This recommendation initially requires significant administrative impact to revise the methodology. Other strategies to reduce or exempt SDCs recommended require a lower administrative investment to implement and are more aligned with the City’s recent efforts related to reducing SDCs for affordable and desired housing.

Priority: Low (in the near-term)

NEW FUNDING SOURCES CONSIDERED IN THIS STRATEGY: Construction Excise Taxes can be used to backfill SDC exemptions and would be a good match for an expanded SDC exemption program.

EXISTING FUNDING SOURCES CONSIDERED IN THIS STRATEGY: The City can continue to use TIF revenue for projects in urban renewal areas and could potentially allocate general fund revenue to funding SDC exemptions for affordable housing more broadly.

IMPLEMENTATION STEPS:

• Immediate actions:
  o Continue to provide SDC exemptions for affordable housing, and consider adopting an exemption for ADUs.
  o Adopt a CET to backfill lost SDC revenues.
  o Work with other service providers to offer special SDC deferral, financing, and/or exemptions for affordable housing.

• Medium term actions:
o Discuss whether or not to target other specific housing types for SDC exemptions or take a broader look at City SDC methodologies.

o Reach out to Washington County, Metro and/or other local Washington County jurisdictions regarding a regional discussion of SDC strategies for lower cost housing.

• Long term/Contingent actions:
  o Begin the process of updating the City’s SDC methodologies, if appropriate; incorporate an explicit policy discussion about the basis for calculating future SDCs as it relates to housing structure type, size and affordability.

PARTNERS: Tigard-Tualatin School District, Beaverton School District, Washington County (for transportation), and Clean Water Services (for sewer).

5. Development Fee Reductions

HOW THE STRATEGY WORKS: The Tigard Community Development department collects permit fees for planning, building, and engineering services. By reducing or waiving certain development fees or permit fees for affordable housing, it can reduce the upfront cost of development. The program can be designed as a complete fee waiver, or a reduced fee based on a set metric (e.g. reduced fee is 50% of original permit fee).

Permit fees generally represent a lower share of overall cost to the developer than SDCs, sometimes by a factor of five or more, and therefore fee reductions will tend to have a proportionately lower impact than SDC reductions. For a modest multifamily building of 12 units, it is estimated that fees might amount to 15% to 20% of total SDC fees, depending on the range of land use approvals needed.

RECOMMENDATION: Because the potential impact of this strategy would be small, development fee reductions are not recommended at this time. The City should instead focus its efforts on other more impactful programs and policies, such as SDC reductions and tax abatements.

6. Tax Abatements

HOW THE STRATEGY WORKS: Tax abatements (exemptions or reductions) alleviate property taxes on certain types of development, often for a set period of time. Abatements can be a very strong tool to incentivize affordable housing and make proposed projects more viable, depending on how the exemptions are structured. A large new apartment complex might have a taxable assessed value (TAV) of many millions of dollars. Currently, such a development contributes an estimated $17,200/year in property taxes per $1 million in TAV. The City can expect to see roughly $2,500/year/$1m TAV (not including city bond levy). The annual benefit to the property owner from a city tax exemption can amount to tens of thousands of dollars, making this a strong financial incentive.
The state currently authorizes tax abatements for various types of housing and affordable housing through several programs outlined in the Oregon Revised Statutes (ORS). These include: Nonprofit Low-Income Housing (ORS 307.540 to 307.548), Low-Income Rental Housing (ORS 307.515 – 307.523), Vertical Housing (ORS 307.841 to 307.867), Transit-Oriented Multi-Unit Development (ORS 307.600 – 307.637), Homebuyer Opportunity Limited Tax Exemption (ORS 307.651 to 307.687), and Residential Rehabilitation Tax Freeze (ORS 308.450 to 308.481).

Tigard has several options to continue, update, and/or create new tax abatement programs. The program options are as follows:

**A. Update Existing Nonprofit Low-Income Housing Program (ORS 307.540 – 307.548)**

Tigard’s Nonprofit Corporation Low Income Housing Tax Exemption was first adopted in 1996, and the City was an early program adopter. The program provides tax exemptions for regulated affordable housing owned by non-profit organizations that is rented to persons at or below 60% AMI. The program is not limited to new construction, but can apply to acquisition (with or without rehabilitation) of existing units. As such, this tax exemption program could be considered a tool for preservation of low cost market rate (LCMR) housing, which is discussed as Strategy 9 of the AHP.

Tigard’s program provisions have not been updated to reflect more recent changes to the state’s provisions. Two provisions the City can add to its program include:

1. Termination of the tax exemption if the eligibility criteria are no longer met (ORS 307.548). If eligibility has been revoked, the owner must back pay the additional taxes “one of each year that has elapsed since the year the property was last granted exemption.”

2. Tax exemptions for land banking (ORS 307.541). This provision allows exemptions for properties “held for the purpose of developing low income housing.” Tigard’s current program requires that eligible property be developed and occupied by low income persons in order to qualify for the exemption. This could enhance the feasibility of land banking (Strategy #13) as an affordable housing strategy.

**B. Adopt Low-Income Rental Housing Exemption (ORS 307.515 – 307.537)**

These ORS provisions allow tax exemptions for any entity that provides regulated affordable housing, including nonprofits and for-profit developers. Tigard can potentially use these provisions to extend its existing Nonprofit Low-Income Housing Program to all developers, making it much more widely applicable. The statutes outline similar eligibility requirements, in that eligible properties must be offered for rent to low income persons (at or below 60% AMI), or held for the purpose of developing low-income rental housing. However, unlike the Non-profit Low Income Housing exemption, the exemption that is available to for-profit developers is limited to new construction, and not acquisition of existing housing.

Because for-profit affordable housing developers often partner with nonprofit entities in developing and/or operating affordable housing, these developments are typically eligible for the City’s existing
non-profit housing tax exemption. Therefore, the need to extend exemptions to for-profit entities is relatively low, and this program is likely to have a low impact.

**C. Expand Vertical Housing Development Zone (ORS 307.841 – 307.867)**

The City of Tigard already administers a tax abatement program within the City’s designated “Vertical Housing Development Zones” (VHDZ), which is intended to incentivize multi-story development and affordable housing in targeted areas. This program allows a partial tax exemption of 20% per floor (and up to 80% total) for residential developments within the City-designated VHDZ. The exemption is only allowed for the improvements to the property (not the land itself), unless the development provides low income housing; in that case, the land can also be exempted from property taxes at the same rate as the improvements (on a per-floor basis). The tax exemption is available for both new construction and rehabilitation projects, for the first ten years of the project. All multi-story residential development in the VHDZ is eligible for the tax exemption.

Tigard could consider expanding the VHDZ program into other parts of the city where development of multi-story and affordable housing is appropriate and needed, such as the Washington Square area. The number of VHDZs that Tigard can establish is not limited by statute. The City currently has two distinct established zones in the Downtown and Tigard Triangle areas. The decision to extend or create a new VHDZ in the city should be based upon the priority placed on achieving the program’s goal of mixed-use, multi-story development in other parts of the city, weighed against forgoing partial tax revenue from these projects for ten years. Any extended or new zone should incorporate area(s) where such development is not occurring on its own or is very rare.

This incentive has experienced limited use thus far in the existing VHDZs and has had limited impact to City revenues. In the last fiscal year, this program represented just over 2% of the fiscal impact of the City’s three abatement programs, and only $1,000 in foregone revenue.

The graduated structure of this program (providing increasingly larger partial exemptions based on the number of residential floors) is designed to ensure that the impact to the taxing jurisdictions is commensurate with the benefit being provided in the form of new housing units. The drawback to the limited impact on tax revenue is that the incentive benefit to the developer may be similarly limited, depending on the project. The incentive will be stronger if other taxing jurisdictions in the area also agree to participate. Tigard’s tax levy represents roughly 14% to 15% of the total levy (depending on the tax code area.) A decision to extend this program should be combined with ongoing assessment of the existing zones and their effectiveness.
C. Adopt Multi-unit Tax Exemption in Downtowns and Transit Areas (ORS 307.600 – 307.637)

The transit-oriented tax exemption is an abatement for multiple-unit housing in corridors and centers that support transit. Eligible development must be located in transit-oriented areas and have multiple units, but may include ground floor commercial space. The exemption can be provided for up to 10 years. The City has broad discretion as to how to structure the program and define affordability requirements, allowing it to act relatively independently (though it must get other taxing districts onboard in order to provide an exemption that goes beyond the City’s portion of the tax bill). The exemption program does not have to be provided only for affordable housing but can be used in combination with other tax abatement programs.

The SW Corridor Plan Steering Committee Recommendations suggest that jurisdictions adopt a transit-oriented development tax exemption (Portland already has a program) with 100% property tax exemption for 10 years. The recommendations state that immediate relief from a significant tax increase makes it more feasible for developers to provide the amenities, form and high-quality design of the development envisioned in these areas.  

D. Adopt Homebuyer Opportunity Limited Tax Exemption (ORS 307.651 to 307.687)

The purpose of this program is to encourage homeownership among low and moderate income families and to stimulate the purchase, rehabilitation and construction of residences in “distressed urban areas” as a form of infill development. The tax exemption can be granted for up to 10 successive years, and only applies to the value associated with property improvements, not the land value. Single-family housing units, multifamily homeownership units (e.g. condos and townhomes), and manufactured housing are eligible for the exemption. The housing must be in a distressed area, which would be defined and designated by the City. The City also would create criteria and required design elements or public benefits that would be applied to properties using the exemption. The City of Portland employs this limited tax exemption, providing a ten-year exemption for structural improvements to single- and double-unit homes. Eligibility requirements prohibit rental of the unit receiving the exemption.

E. Adopt Tax Freeze for Residential Rehabilitation (ORS 308.450 to 308.481)

This program provides a freeze on the assessed value of residential properties to encourage rehabilitation of existing “substandard” structures (in violation of state or local code). If the rehabilitated units are renter-occupied, they may be located anywhere in the city; if owner-occupied, they must be located in a “distressed area,” as defined by the City. This can be applied to single-family or multifamily housing, but can also apply to the conversion of “transient” units and non-residential structures to permanent residential units. Eligible properties are exempt from the

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ii According to ORS 307.603, a transit-oriented area must be an “area defined in regional or local transportation plans to be within one-quarter mile of a fixed route transit service.”
increased assessed value resulting from the rehabilitation for a period of 10 years. While this program does not specifically target affordable housing, it allows local jurisdictions to establish requirements for affordability controls while the freeze is in place. The City of Portland employed this program for many years (starting in 1975), but discontinued it in 2012. Eugene also formerly employed this program. While this has not been the most popular incentive among Oregon cities, and may have a limited impact, it could be a useful tool for encouraging rehabilitation and rent stabilization of substandard LCMR housing.

**Clarification for All Abatement Programs**

Recent legislation, House Bill 2377, Chapter 624 (2017) offers the City much less control over eligibility and requires the support of other taxing jurisdictions. The eligibility requirements can range from 120% AMI or less. All of the abatement programs described above require an exemption of 51% or more of the total combined rate of taxation on the eligible property. The City’s taxes account for approximately 14.5% of local taxes, therefore the City must partner with other taxing jurisdictions in order to implement the exemption programs. While this makes the abatements more powerful as incentives, it also makes them more challenging to implement.

**FUNDING SOURCES:** Tax abatement programs do not require new direct investments, as they rely on foregone tax revenue from the general fund, but the City could use other funding sources, such as a CET, to replace the lost revenue.

The revenue foregone by the City is the inverse of the benefit to the developer, currently estimated at $2,500/year/$1m in TAV, or $25,000 over ten years per $1 million in TAV (in current dollars). Generally, this loss is anticipated to be significantly less than losses from a full SDC exemption for a similar project. Because of the trade-off in revenue, the City should carefully consider which tax abatement programs to use, and what the desired outcomes are. In general, market-rate developers will use the program that maximizes benefits while requiring the fewest changes to their development plans. For instance, the Multi-Unit Housing exemption can encourage housing closer to market-rate levels (up to 120% of AMI) but this might discourage use of the Low-Income Housing programs unless the benefits are calibrated.

**FUNDING USES:** Funds are used to subsidize developer operating expenses to make developing and operating affordable housing more cost effective. If the City can get other taxing districts to participate, it can require a larger percentage of the units to be affordable and/or provide deeper affordability, because the value of the tax exemption will be significantly greater.

**RECOMMENDATION:** In the near- or medium-term we recommend that the City pursue the following tax abatement policies:

- Update the City’s existing Nonprofit Low-income Housing program to terminate the tax exemption if the eligibility criteria are no longer met and to apply it to land held for development of affordable housing. **Priority: Medium**
- Adopt a tax freeze for residential rehabilitation and apply controls for rental rates during the period of the abatement. **Priority: Medium**
Implementation of the other tax abatements mentioned here are considered lower-priority, either due to their anticipated impact or to the extent to which they support the City’s affordable housing goals.

**IMPLEMENTATION STEPS:**

Implementation of tax abatement programs requires adoption by local officials and establishment of program goals and policies.

- **Immediate actions:**
  - Assess which tax abatement program(s) to implement and/or update. Create evaluation criteria to decide which types of housing would be eligible for certain types of exemption programs in Tigard.
  - Begin work to update and/or establish the tax exemption program(s). Steps include:
    - Discuss with key stakeholders, including other City departments, overlapping taxing districts, and developers.
    - Conduct further analysis to value the tax abatement(s) relative to the required rent reduction.
    - Seek Council direction on any eligibility criteria that should be incorporated into the program(s).

- **Medium term actions:** If the program is determined to be feasible and approved by the other taxing districts, the City should:
  - Develop a program framework based on the research and analysis.
  - Establish a program application process based on the recommended criteria.
  - Identify staff capacity and roles for assisting developers during the application process and monitoring the compliance during operations.

- **Long term actions:** The City will need to monitor and evaluate the program in the longer term, using metrics that will allow it to evaluate its impact on affordable housing development.

**PARTNERS:** For-profit developers active in Tigard, lenders, and overlapping taxing districts, including Washington County and Tualatin Valley Fire & Rescue.

**7. Addressing Restrictive CC&Rs**

**HOW THE STRATEGY WORKS:** Many subdivisions and planned unit developments (PUDs) in the City of Tigard, and other cities across the state, adopt private contractual agreements among homeowners that place certain restrictions on uses, activities, and improvements in the development. These are generally referred to as Covenants, Conditions and Restrictions (CC&Rs), and are typically administered by some type of Homeowner Association (HOA). Some CC&Rs associated with new developments prohibit more than one dwelling unit on one lot. These restrictions can
effectively prohibit the development of ADUs and missing middle housing types (such as duplex, triplex, townhomes, or clustered housing), which would otherwise provide more affordable options in single-family zones and are allowed under current Development Code provisions. There are legal limitations to mitigating the restrictions in current CC&Rs—since they cannot be overridden by the Development Code. However, new policy could potentially be developed to limit future CC&R restrictions on missing middle housing in subdivisions and PUDs. The policy could regulate common topics of CC&Rs, including restrictions on use, land division, leasing requirement, and architectural review. A summary of specific restrictions embedded in a number of HOAs in the City of Beaverton provides further examples, which are expected to be present in a number of areas in Tigard as well.\textsuperscript{21}

For the cities whose urban growth boundary expansions were approved by Metro in 2018 (Beaverton, Hillsboro, Wilsonville, and King City), Metro will require as a condition of approval that they amend their development codes to prohibit future homeowner associations from adopting CC&Rs that would have the effect of “prohibiting or limiting the type or density of housing that would otherwise be allowable under city zoning” or “require owner occupancy of homes that have accessory dwelling units”.\textsuperscript{22} Tigard should track these cities as they update their codes to comply with Metro’s conditions.

\textit{Note: Proposed House Bill 2001 includes draft language that would suggest a state-level ban on CC&Rs that restrict middle housing for planned communities.\textsuperscript{23} If HB 2001 is adopted with this or similar language, the City likely would not need to implement its own policies prohibiting restrictive CC&Rs, unless further prohibitions are desired, such as limitations on off-street parking requirements within developments.}

\textbf{FUNDING:} No funding sources are needed to implement or administer the policy. The City may be able to use existing staff resources and programs to generate and implement policy that limits restrictive CC&Rs. If consultants are needed, the costs could be accommodated within the department’s annual budgeting process.

\textbf{RECOMMENDATION:} Pending the adoption of HB 2001, adopt policies in the Tigard Municipal Code that prohibit a private contract from including provisions that restrict middle housing. Include conditions of approval in land use decisions that require CC&Rs to be submitted to the City for review prior to recording. The Code language should also specify that amendments to CC&Rs that violate this regulation be deemed invalid and legally unenforceable. This strategy requires low administrative investment to implement and administer yet can significantly reduce barriers to providing needed or desired forms of housing.

\textbf{Priority: High}

\textbf{IMPLEMENTATION STEPS:}

\begin{itemize}
  \item \textbf{Immediate actions:}
    \begin{itemize}
      \item Analyze existing CC&Rs in Tigard to determine the extent to which they prohibit missing middle housing types, and actually pose barriers to affordable housing.
      \item Track HB 2001 for its inclusion of language prohibiting restrictive CC&Rs.
    \end{itemize}
\end{itemize}
Follow the code update processes in Beaverton, Hillsboro, Wilsonville, and King City to see how they address Metro’s conditions of approval regarding CC&Rs. While the City of Wilsonville has developed draft policy language, as of April 2019, none of the jurisdictions have formally adopted the required provisions.

- **Medium term actions:**
  - Should state-level regulations not be adopted, work with the City’s legal counsel to develop Municipal Code language to prohibit restrictive CC&Rs.
  - Engage with stakeholders (HOAs, developers, etc.), provide opportunities for public comment, and bring forward code amendments for hearings.
  - Monitor future legal cases to assess whether existing CC&Rs can be mitigated in the future.

- **Long term actions:**
  - Implement the amended code and monitor compliance through development review.
  - Create criteria for evaluation of effectiveness of the policy and revise policy as needed based on evaluations.

**PARTNERS:** Homeowner Associations; Cities of Beaverton, Hillsboro, Wilsonville, and King City.
3.3 Tools to Develop or Preserve Affordable Housing

8. Inclusionary Zoning

**HOW THE STRATEGY WORKS:** Inclusionary zoning (IZ) (sometimes known as inclusionary housing) is a tool used to produce affordable housing for low- to moderate-income households within new market-rate residential developments. Typically, IZ is implemented through an ordinance with mandatory requirements that a minimum percentage of a new development’s total units be designated as affordable, and that these units remain affordable for a set period of time, usually between 10 and 20 years. Often, this ordinance applies only to developments with a minimum number of units.

To compensate for the cost of the affordability mandates—whether that’s subsidized units or an in-lieu fee—effective IZ policies are sometimes balanced with incentives or “offsets” for developers. Typical incentives include expedited permitting, fee waivers, tax abatements, modified development standards, density bonuses, height increases, and reduced parking requirements. As described below, incentives are required by Oregon state law to be incorporated into local IZ programs. Instead of mandating IZ, cities also may establish a voluntary inclusionary zoning program. With this option the city can use incentives to reduce the land costs for developers in exchange for providing affordable units. This strategy is often referred to as “incentive zoning” and is discussed as a separate strategy (see Strategy #11).

A key advantage of inclusionary zoning is that it integrates buildings and neighborhoods by income level. By providing housing for lower-income households in opportunity-rich areas that would otherwise be unaffordable, families with fewer means may have better access to good public schools, jobs, high levels of public safety, and public amenities such as parks and libraries. Inclusionary zoning also leverages private dollars to pay fund affordable units, rather than using scarce public funds.24

Inclusionary zoning was prohibited in Oregon between 1999 and 2016, until legislation was passed in 2016 by Senate Bill 1533, which allowed jurisdictions to adopt IZ. However, this legislation came with a number of limitations that are being regarded by affordable housing providers and advocates as making the strategy challenging to implement in most small- and medium-sized jurisdictions in the state. Per state statute, the requirements may only be applied to multifamily housing developments of 20 units or more. In addition, jurisdictions must provide developer incentives (e.g., property tax exemptions, fee waivers, development bonuses) to offset the cost of providing affordable units, but in an undetermined amount. Cities must also provide developers with the option to pay a fee in lieu.

These provisions required by the legislature are expected to limit the applicability and extent of the application of IZ programs and result in administrative and financial hurdles to implementation, particularly for smaller communities. Relatively few communities are expected to have the financial and administrative resources to establish IZ programs.

**ANALYSIS:** Mandatory inclusionary zoning can affect development feasibility and land values. Incentives and requirements must be carefully balanced so as not to inhibit housing production.
Market Response

The most likely market response to IZ is to slow new development, at least in the early years, as market-rate developers seek opportunities in other communities that don’t carry the same requirements. The main deterrent may be the long-term management and reporting of the affordable units, as separate from the market-rate management with which they are familiar.

Another market response is likely to be a marginal increase in rents in the remainder of the market-rate units in the building, to offset the loss of revenue from affordable units. If the affordable units are a percentage of the total units in the building, the rent increase for market-rate units is likely to be fairly consistent regardless of building size.

If the affordable rent level is kept constant across the jurisdiction, then one possible market response will be to build new multifamily apartment properties in areas that already have lower rents. This is because the restricted affordable rent levels will be closer to the market rents in these areas, and in some cases might be fairly close to the market rents. Therefore, the affordable rents represent less of a cost to the developer, while they still take advantage of financial incentives of the IZ program. (For example, there has been more new IZ development activity in lower-rent East Portland than in higher-rent central Portland.)

Finally, an increase in development of smaller rental properties of less than the 20-unit threshold should be expected.

Impact

Inclusionary zoning programs typically create a fraction of the needed affordable housing units, and their efficacy at producing affordable housing units fluctuates over extended periods of time. This can be particularly true if IZ is limited in its application to developments of a certain size.

At the same time, these programs do ensure the creation of some affordable units that remain affordable for the long-term. This supply is unlikely to replace the need for dedicated affordable housing properties with subsidized rents in the community, especially those properties aimed at households with very- or extremely-low incomes. Nonprofit agencies are still likely to best serve these lower-income segments, while IZ units are more likely to serve lower-middle, and working class households, depending on program rules.

NEW FUNDING SOURCES CONSIDERED IN THIS STRATEGY: The enabling legislation for inclusionary zoning—SB 1533—also enabled local jurisdictions to establish a Construction Excise Tax (CET) to fund affordable housing. (Note: CET is explored as Strategy #1). If a CET is enacted, a percentage of the revenues must be used to fund developer incentives. This includes incentives that must be included in an IZ program to offset the cost of providing affordable units (e.g., property tax exemptions, fee waivers, or other “finance-based incentives”).

EXISTING FUNDING SOURCES CONSIDERED IN THIS STRATEGY: In lieu of CET adoption, other funding sources would need to be used to cover the required developer incentives—such as general funds or Tax Increment Financing (TIF) funds.
RECOMMENDATION: Implementation of inclusionary zoning is not recommended at this time. If state provisions for administering IZ programs were revised to remove some of the barriers to implementation discussed above, future implementation in Tigard may be more feasible. Tigard should track the progress of Portland’s IZ program, and any other Metro-area cities that adopt IZ, to assess feasibility for local adoption down the line. **Priority: Low**

**STEPS FOR LONG-TERM IMPLEMENTATION:**

*Note: the following implementation steps should be considered long-term actions contingent upon state adoption of revisions to IZ’s enabling legislation.*

Implementation of IZ requires time to develop the program and policies. It is suggested that IZ be implemented through a phased approach to reduce associated impacts on property values.

- **Initial actions:** The following actions are recommended to assess the feasibility of an inclusionary zoning program:
  - Identify the approximate benefits of establishing a set of IZ provisions based on the expected number of developments that would be subject to the standards and the approximate number of resulting new units.
  - Estimate the cost of establishing and administering the non-code-based elements of an IZ program, including a fee-in-lieu program and other developer incentives.
  - Determine if the expected benefits outweigh the costs of establishing IZ program.
  - Consult with City Council, stakeholders, and the Tigard community to determine if the community supports the adoption of mandatory inclusionary zoning.

- **Intermediate actions:** If the benefits outweigh the costs and the City decides to move forward with the program, then the following actions are recommended:
  - Draft IZ policies and implement Community Development Code amendments.
  - Determine which developer incentives would apply, and what funding is needed to offset the costs.
  - Establish administrative and financial procedures and protocols needed to administer IZ. Determine how fee-in-lieu funds would be administered and where they would be distributed.
  - Establish a program to monitor compliance.
  - Find partner organizations to connect people to IZ units and distribute fee-in-lieu funds.

- **Later actions:**
  - Track outcomes of IZ program (number of affordable units built).
  - Adjust the program as needed.

**PARTNERS:** Community based nonprofits, private developers.
### 9. Preservation of Low Cost Market Rate (LCMR) Housing

**HOW THE STRATEGY WORKS:** Low cost market rate (LCMR) housing refers to housing with rents that fall below the average rents for an area, but which are not income-restricted or regulated by or through an agreement with a government agency. It can also be referred to as “naturally occurring affordable housing” or “filtered housing.” There are a number of reasons LCMR housing is affordable: properties may be poorly maintained; located in areas with poor economic growth, aging infrastructure, or a lack of investment; or simply located in less affluent neighborhoods.

Many LCMR housing units are at risk of losing their affordability as property values increase. The goal in preservation of LCMR housing is to maintain its availability for low- and moderate-income households. This is particularly critical in areas where gentrification and displacement are anticipated, such as areas planned for major public investments like the Southwest Corridor Light Rail project. Preservation of LCMR housing can be a cost-effective affordable housing strategy, because investing in existing properties is dramatically less expensive than building new units and can be done much more quickly.

Several tools aimed at preserving LCMR housing are discussed in this report. These include:

A. Dedicating City funds to LCMR preservation;
B. Providing grants or loans to LCMR owners for maintenance or repairs in exchange for maintaining the units at an affordable price point;
C. Acquiring LCMR buildings and converting them to regulated housing; and
D. Providing property tax abatements in exchange for converting LCMR housing to regulated affordable housing.

LCMR housing is a form of unregulated affordable housing. All programs to preserve LCMR housing require a shift to some type of regulation, often for a set period of time, to ensure that funds are properly spent on preserving affordable housing. Each of these tools is described below.

**A. Dedicate Funding to LCMR Preservation**

LCMR preservation will rely on dedication of City and/or partner funds to address the needs of (1) regulated affordable housing properties at risk of conversion to market rate units, (2) repairs and upgrades to low cost market rate properties to reduce the need for rent increases, or (3) entities interested in acquiring a property that could become regulated affordable housing. The City should consider LCMR preservation as a high priority for the use of the three funding strategies recommended in this plan: CET, CDBG, and TIF. Each of these funding sources could be used to support the other LCMR preservation strategies (especially grants/loans and backfilling tax exemptions) discussed below.

One financial tool that can be used to dedicate funds to LCMR preservation is a Housing Preservation Fund (HPF). The ultimate goal for an HPF would be to set up a flexible pool of funds that could be deployed quickly in a tight housing market, to aid in the preservation of affordable housing. Potential roles for the City of Tigard include seeding and supporting a fund with a partner organization, acting
as a guarantor on loans to reduce borrowing costs, or actively managing and administering a fund (like Portland Housing Bureau’s). HPFs could be used to fund one or more of the other LCMR preservation tools, to pay for staff time to monitor affordable properties that are listed for sale, or as down payments to hold a property while searching for a mission-based buyer.

An example of a city-led HP is Washington, D.C.’s public-private preservation fund, which the City established in 2017 with $10 million in seed funding. The fund is intended to quickly provide short-term bridge acquisition and pre-development financing to eligible borrowers, and is managed by two local Certified Community Development Financial Institutions (CDFIs): Capital Impact Partners and LISC-DC.

Providing initial capital for this type of fund can be challenging with the limited resources available to most public agencies. Some potential funding sources are discussed below. Tigard should consider partnering whenever possible with other community development agencies with the experience and capacity to run some of these programs, so that the City does not need to duplicate administrative structure.

B. Grants/Loans for Capital Repairs or Maintenance

This program would help LCMR properties pay for necessary capital repairs or maintenance so that owners can avoid selling their properties or raising rents. Assistance could include grants, low-interest loans, or deferred payment or interest-only loans. The grants or loans could provide bridge funding for acquisition and rehabilitation projects, or to help cover the cost of capital repairs or maintenance. Loans or grants to LCMR building owners would be made in exchange for agreements to rent units below market rate for a specified period of time. The program would result in some or all units in a LCMR property becoming regulated affordable housing for a period of time while remaining in private ownership. A grant or loan program could be funded by a housing preservation fund, or directly from CET flexible funds or CDBG entitlement funds.

Washington County already makes loans geared toward preservation and acquisition rehabilitation projects, usually through its federal allocation of HOME funds. This program began in 1992 and has since invested more than $19 million in 49 projects across the county. Tigard could consider a similar program using CDBG funds, should it pursue joint or independent entitlement.

As another local example, the Portland Housing Bureau (PHB) makes low-interest loans on favorable terms to developers of rent-regulated affordable housing. These loans are most often used in conjunction with other large funding sources as bridge loans or to fund new development or acquisition rehab projects. Funding is awarded through annual Notice of Funding Availability (NOFAs), or in specific requests for proposals for Urban Renewal Areas. PHB has a list of underwriting requirements for project development and operations on its website.

C. Acquire LCMR Housing and Convert to Regulated Affordable Housing

This program would promote the acquisition and conversion of LCMR housing to regulated affordable housing. Acquisition could be led by the City itself, through grants or loans to nonprofit
partners, or in partnership with Washington County. For the City to be able to acquire LCMR housing, it would need an intermediary that could act quickly to purchase and operate properties in the interim until transferred to a nonprofit or to the County, because the City does not have the ability to manage rental housing. Funds from an HPF could be used for this purpose. Using the HPF funds to target property acquisition would also be more powerful if it could be linked with debt funding that could be quickly deployed, because the cost of acquiring and managing an existing developed property tends to be greater than the cost of obtaining vacant land with no existing improvements.

The City of Chicago has a program that acquires vacant or abandoned structures and transforms them to affordable housing. The program began in 2004 with a focus on troubled multifamily rental properties, and has expanded to one- to four- unit properties and condominiums. Since the program began, it has preserved more than 16,000 rental and for-sale units across Chicago.25

D. Tax Abatement for LCMR Housing

Property tax exemptions or assessment freezes could be provided to LCMR properties in exchange for converting to regulated affordable housing. This would not only provide an incentive for stabilizing and regulating unit affordability, it would also make ownership and maintenance of properties with below-market rents more financially feasible. Tax abatements for affordable housing are discussed more generally under Strategy #6. Some of the state-enabled exemption programs have restrictions that exclude rehabilitation or acquisition of existing housing. However, the Nonprofit Corporation Low Income Housing exemption (ORS 307.540 – 307.548)—which the City already implements—can apply to either new construction or acquisition (with or without rehabilitation) of existing units. Therefore, LCMR preservation is already a potential use of the City’s existing tax abatement, although it has most often been used for new construction. Similarly, the Low-income Rental Housing exemption (ORS 307.515 – 307.537) can be used for acquisition of existing units if the units are owned or leased by a nonprofit. The Tax Freeze for Residential Rehabilitation (ORS 308.450 – 308.481) is specifically geared toward housing rehabilitation, and if applied to rental housing, the City has the option to negotiate rent levels for qualified properties during the period of the assessment freeze.

NEW FUNDING SOURCES CONSIDERED IN THIS STRATEGY: New funding for LCMR preservation programs could come from CET or CDBG funds. Funding for a housing preservation fund could also come from public sector partners, philanthropic partners, banks, and community development financial institutions (CDFIs). Capitalizing a new fund can be one of the administrative challenges to this type of program. The scale and impact of the program will depend on the amount of revenue available.

The need to keep a preservation fund capitalized is one reason that a loan program may be more sustainable than a grant program, if paired with an HPF. Loan payments help to renew the fund over time and allow for additional loans to be made. However, loan programs may also require an additional level of borrower vetting, underwriting, and compliance monitoring.
Terms that would need to be defined for these programs include: underwriting standards, length of loan, interest rates, loan-to-value ratio, debt-service coverage ratio, and loan position. Potential partner agencies familiar with preservation can provide expertise on these procedures.

The potential impact will be dependent on the amount of funding available to be disbursed, and attractiveness of the terms. Grants will be more attractive than loans, and loans with generous terms will be more attractive than conventional loans. In general, loan qualifications and terms should be marginally more lenient than from commercial lenders, otherwise owners will seek market loans without affordability requirements.

**EXISTING FUNDING SOURCES CONSIDERED IN THIS STRATEGY:** The City could use general fund revenue and tax increment financing (TIF) revenue for one-off projects, a pilot program, and/or to capitalize a fund. Use of TIF would limit the program to Urban Renewal Areas. Tigard has strong relationships with Community Housing Fund, a nonprofit CDFI that operates a preservation fund. The City could also partner with the Network for Oregon Affordable Housing (NOAH), whose preservation programs include the Oregon Housing Acquisition Fund (OHAF) and preservation loans for affordable housing.

**FUNDING USES:** Funding would be used to distribute grants and/or loans to LCMR property owners or nonprofits, to partner with organizations in acquiring LCMR properties, or to backfill tax exemptions for LCMR properties.

**RECOMMENDATIONS:**
- Develop a low-interest loan program for rehabilitation of LCMR in exchange for regulating rents to preserve affordability (e.g., making them affordable at or below 80% AMI). **Priority: Medium**
- Continue exploring the option of a Housing Preservation Fund. Collaborate with the Community Housing Fund on a potential partnership for LCMR preservation. **Priority: Medium**
- Discuss with Washington County the potential for partnerships in acquiring LCMR housing and converting to regulated affordable housing. **Priority: Low**
- Promote the use of the City’s Nonprofit Low-income Housing program for use in acquisition and rehabilitation projects. **Priority: High**
- Adopt a tax freeze for residential rehabilitation and apply controls for rental rates during the period of the abatement. **Priority: Medium**

**IMPLEMENTATION STEPS:**
- **Immediate actions:**
  - Inventory existing low cost market rate properties in Tigard.
  - Determine which LCMR programs to implement. Analyze the greatest threats to LCMR housing and determine which LCMR preservation tools best target those threats. Also, determine if a Housing Preservation Fund is a viable option to provide funding for LCMR preservation tools.
Consider a pilot program to test LCMR preservation tools. For example, the City of Beaverton has undertaken a pilot program aimed at assisting properties in need of repairs and upgrades. The City plans to offer subsidized funding for rehabilitation in exchange for 10 years of reduced rents. It is targeting rents appropriate for households making 60%-80% of the area median income.

- Analyze examples to refine criteria: Conduct additional analysis using example LCMR properties to determine the appropriate investment amount and affordability requirements for an on-going program.

- Clarify partners and roles: The program will benefit from active partnerships with housing developers and operators. These relationships should be explored and solidified as the City advances its pilot project.

• **Medium term actions:**
  - Expand funding and refine program: Beyond a potential pilot program, an important step would be to find more stable, reliable funding and to make any necessary adjustments to the program structure to ensure it can operate for a longer term. The City should also continue to reach out to other potential implementation partners to learn best practices and hear important considerations to streamline and improve the program.

  - Adopt a permanent preservation program: Once the pilot program ends, the City can establish a full preservation program with stable funding, using best practices and lessons learned from the pilot.

• **Long term actions:**
  - Track success of program through program success metrics.
  - Ensure sustainable funding sources for programs.

**PARTNERS:** Flexible funding could come from Oregon Housing and Community Services, or the Housing Authority of Washington County. Program structure, guidance, and collaboration could come from the Community Housing Fund or the Network for Oregon Affordable Housing.

### 10. Tenant and Homeowner Protections

**HOW THE STRATEGY WORKS:** Tenant protections include local regulations and enforcement programs that provide protections for tenants of existing affordable housing and low cost market rate (LCMR) housing against evictions, excessive rent increases, discrimination, and health and safety violations. Tenant protections can also provide various types of assistance to renters. The purpose of these protections is to help low-income families and individuals to access housing, and tenants of affordable units to retain their housing. Tenant protections can be implemented through policies and/or programs. The Oregon State Legislature recently passed Senate Bill 608, which regulates some tenant protection policies statewide (as further described below). With the exception of rent regulation, local jurisdictions have the ability to create tenant protection regulations that go beyond state requirements as long as they do not conflict with them. Homeowner protection programs could
include education as well as financial and technical assistance to stabilize and combat predation of low- and moderate-income homeowners.

A. Tenant Protection Policies

A.1. Rent Regulation

Rent regulation (often referred to as rent control or rent stabilization) is a price control that limits how much a landlord can charge for renting out a unit or the rent increase allowed upon lease renewal. Though the terms “rent control” and “rent stabilization” are sometimes used interchangeably, they have different meanings:

- **Rent Stabilization.** Most programs in the United States fall into this category. A landlord may set the base rent at the free market value, but may only raise the rent by a set percentage each time a tenant renews a lease. These laws generally require the landlord to notify tenants at least 30 days in advance of a rent increase at renewal. These policies protect tenants in privately-owned residential properties from excessive rent increases, while at the same time ensuring that landlords receive a return on their investment that is deemed fair by the controlling authority.

- **Rent Control.** Rent control acts as a price ceiling by preventing rents from being charged above a certain level.

Rent regulation has been prohibited by Oregon state law since the passage of House Bill 2505 in 1985. ORS 91.225 prohibits cities and counties from enacting “any ordinance or resolution which controls the rent that may be charged for the rental of any dwelling unit.” While this law still applies, a new state law establishes statewide rent regulation. On February 28, 2019, Oregon Governor Kate Brown signed Senate Bill (SB) 608, which establishes statewide rent stabilization measures. SB 608 caps rent increases at seven percent plus an inflation factor annually for any tenancy other than week-to-week. The bill also includes a range of other tenant protections, including a prohibition on no-cause evictions for tenants who have lived in their building for at least one year, and a statewide requirement for a 90-day notice for no-cause evictions.\(^{26}\) SB 608 does not reverse the current prohibition on local jurisdictions enacting their own rent regulation measures; however, there may be future legislation that does this.

*Note: Previous drafts of the AHP explored possible market responses to rent regulation. However, those drafts were written while SB 608 was still under review. Because of the new state law, and because more stringent local rent control is still prohibited, additional rent regulation policies are not discussed further in the AHP.*

A.2. Rental Application Reform

Rental application reform policies are intended to remove barriers to attaining rental housing. Potential reforms could regulate application fees, screening criteria, and security deposits. The *Southwest Corridor Equitable Housing Strategy* recommends the following reforms to rental policies:

1. Application fee reform policies – require landlords to return application fees when applications
are not processed; (2) Screening criteria reform – eliminate the practice of landlords requiring 3:1 income-to-rent ratios; and (3) Security deposit reform – cap security deposits and protect them from being taken unfairly. In 2018, Portland City Council considered reforms to tenant screening policies related to credit, criminal, and housing history; the policy would require landlords to score a prospective tenant on standardized metrics if they planned to deny housing. As of April 2019, these policy reforms have not been adopted.

Another potential policy is a housing focused “Ban the Box” policy. “Ban the Box” is a civil rights campaign focused on removing job and housing discrimination against individuals who have criminal histories. Initially the “Ban the Box” campaign was focused on hiring processes but has recently shifted to include housing processes as well. In February 2019 The City of Detroit passed “Ban the Box” policies focused on housing. Detroit’s Fair Chance Ordinance requires landlords with five or more rental units to eliminate inquires about criminal history from their housing applications until the candidate has been determined to be qualified to rent under all other phases of the application process. At that point, if the applicant has a criminal record, they may be denied housing only for crimes relevant to the safety of other people or property, and they must have the opportunity to provide evidence of rehabilitation. Washington D.C. and Newark are two cities that have also passed housing-related “Ban the Box” policies.

An important statewide policy for rental screening criteria is the prohibition on rejecting applications from renters using Section 8 vouchers, which has been in effect since July 2014. Recently cities around the Country, including several cities in California, have adopted similar policies.

A.3. Rental Relocation Assistance

Renter relocation assistance programs require landlords to pay a set amount to assist tenants when lease conditions change—such as no-cause eviction, substantial rent increase, or not receiving the option to renew a lease. The City of Portland implemented a mandatory renter relocation assistance program in 2017 that requires relocation assistance within a range of $2,900 to $4,500 depending on various conditions (e.g. number of bedrooms). There are some exceptions to this policy including for tenants that occupy the same dwelling unit as the landlord, for dwellings where the landlord is terminating the rental agreement so that an immediate family member to occupy the dwelling unit, and others. The City of Vancouver, B.C. requires that owners or developers provide a tenant relocation plan or tenant impact statement when they apply for rezoning or development permits. The plans detail how landlords will relocate tenants who must move. Rental relocation assistance programs can be targeted to certain segments of the population, such as senior citizens.

B. Tenant and Homeowner Protection Programs

B.1. Programs for Rental Tenants

An alternative or complement to tenant protection policies are programs that monitor rental housing and protect tenants and conditions of rental properties. Programs can target specific issues for rental properties in the city and the City has flexibility in terms of how it can create and administer the programs. Examples of tenant protection programs include the following:
• **Rental Registration Program** – Registration programs allow jurisdictions to keep an accurate inventory of residential rentals. A rental property inventory can help improve notification of changes to local landlord-tenant laws. Also, the program helps monitor and protect tenants while requiring more responsibility and accountability from landlords.

An example program is the City of Portland’s Residential Rental Registration Program. Portland requires all owners of residential rental properties to register, there is no fee for the program. The program has been active as of July 2018. The registration allows the City to maintain and update a reliable inventory to provide information on landlord-tenant policies. The program applies to all residential rentals, regardless of number of units.

• **Rental Inspection Program** – Rental inspection programs monitor rentals to protect tenants and require more accountability from landlords. Inspection programs can be combined with a registration program or can be stand-alone. Also, the types of housing or dwellings that are required to register for the program can vary to all housing, affordable housing, multi-family housing, or other criteria. Several Oregon jurisdictions have rental inspection programs. Examples include the following:
  - City of Salem Rental Inspection Program: Salem requires all multifamily dwelling units to sign up for an annual license. Also, all properties are required to be inspected at least once every five years to ensure they meet Salem Housing Code.
  - City of Gresham Inspection Program: A similar program in Gresham conducts random mandatory inspections of rental properties in the city to ensure the properties meet minimum fire, health, and life safety standards. Inspections occur approximately once every three years. There are also complaint-based inspections that can be more frequent.

• **Landlord / Tenant Mediation** – Landlord/tenant mediation programs are an approach to addressing disputes over rental housing that create unfavorable living conditions or relationships between tenant and landlords. Mediation can help resolve disputes that would otherwise not be resolved, or for which enduring the time and cost of legal battles is unrealistic. Common issues for landlord/tenant mediation include late rent payments, evictions, deposits, repairs, damages, rental agreement violations, pets, noise, and neighbor relations. The City of Tigard offers this program as a part of Washington County consortium. The City should leverage the program by publicizing it more widely—especially to the rental community. A rental registration program (discussed above) would be beneficial, as it would provide contact information for rental units. Nonprofit housing partners may be another source to assist in publicizing the program.

### B.2. Programs for Homeowners

Programs to protect homeowners vulnerable to losing their homes include education to combat predatory practices and financial and technical assistance to stabilize homeownership. The
complexity of information about regulations, financing, and the development process has allowed for predation of vulnerable homeowners in the past. The City could consult with nonprofits currently offering services to at-risk homeowners and potentially collaborate on a variety of anti-predation education efforts. For example, the City could develop a public awareness campaign aimed at helping low-income homeowners resist real estate practices such as predatory speculation. The City of Portland is exploring similar programs as part of the Residential Infill Project.\textsuperscript{30}

Washington County Community Development also offers a variety of financial assistance to low- and moderate-income residents for housing rehabilitation. Programs include Home Repair Loans Deferred/Interest Bearing Loans (DIBL), Home Access & Repair for the Disabled and Elderly (HARDE), and Veterans Home Improvement Program (VHIP). The City could continue to work with Washington County to better connect Tigard residents to these existing resources.

**FUNDING SOURCES:** Delivery of new tenant or homeowner protection programs would require the commitment of additional resources from the City of Tigard and potential partnerships with nonprofit organizations or other public agencies that serve low-income communities. Potential funding mechanisms include general fund or CET flexible funds.

**RECOMMENDATIONS:**
- Adopt rental application reform policies—potentially including application fee reform; criminal screening and egregious income screening criteria reform; and security deposit reform. Continue connecting with Portland to track their work on implementing rental reform policies related to the Southwest Corridor Equitable Housing Strategy. **Priority:** Medium
- Develop rental registration and inspection programs. Rental inspection could follow approximately two years after onset of a registration program. These would present relatively low barriers to compliance and would have low implementation costs, but could be very beneficial to the City in terms of data tracking and compliance. **Priority:** High
- Consider other programs and policies in the long-term to determine if they can provide sufficient impact in meeting tenant and homeowner protection needs. **Priority:** Low

**IMPLEMENTATION STEPS:**
- **Immediate actions:**
  - Conduct further analysis to determine which programs and/or policies would be most effective and would best meet the affordable housing needs in Tigard.
    - Identify the approximate benefits of establishing recommended policies or programs.
    - Estimate the cost of establishing and administering policies and/or programs.
    - Determine a sustainable funding source for tenant and/or homeowner protection programs.
    - Consult with City Council, stakeholders, and the Tigard community to determine if the community supports tenant and/or homeowner protection policies and/or programs.
• Track local and national policies adopted related to tenant protections and application reform.

• **Medium term actions:**
  
  o **Policies**
    • Adopt ordinance(s) to enact tenant protection policies.
    • Determine the method of policy enforcement (complaint-based vs. active enforcement).
  
  o **Programs**
    • Work with community-based organizations and Washington County organizations to learn more about existing tenant/homeowner protection programs.
    • Determine which new programs are feasible to implement.
    • Identify funding source(s) for programs.
    • Collaborate with partners to develop or support programs that rely on partnerships for implementation.

• **Long term actions:**
  
  o Monitor outcomes of policies and programs and make adjustments as needed.

**PARTNERS:** Community based nonprofits and Washington County

**11. Incentive Zoning**

**HOW THE STRATEGY WORKS:** The City can adopt a package of amendments to the Community Development Code (CDC) targeted at lowering costs and making it easier to build new affordable housing (including both projects consisting of all affordable units and mixed-income projects). This tool—often referred to as incentive zoning—creates incentives to developers to provide affordable housing in exchange for the ability to build a project that would not otherwise be allowed by the CDC, or would be less financially feasible without the incentives. Local jurisdictions have used a range of incentive zoning strategies to encourage desired outcomes (described further in Appendix A). The strategies best suited to incenting affordable housing in Tigard include the following:

• Density bonus

• Reduced parking requirements

• Relief from mixed-use requirements

Each of these is described in more detail below.

**A. Density Bonus**
This incentive would allow a housing development to exceed the maximum dwelling units per acre or maximum height allowed by the zone. A density bonus can allow affordable housing developments to spread land and site costs over a greater number of housing units, making development more cost-effective and allowing a greater number of units to be built on a given piece of land. A height bonus is an alternative method of providing a similar incentive; however, a density bonus is a better fit for Tigard based on the City’s zoning regulations, which are more restrictive in terms of density than in terms of building height. It is recommended that the bonus be scaled to the number or percentage of units that meet the definition of affordable. For example, for a mixed-income project, the number of units allowed on the site could be increased by 1 unit for each affordable housing unit provided, up to some maximum (e.g., up to a certain percentage above the maximum for the zone; the amount of the bonus is a policy judgment). This would allow a mixed-income project to build the same number of market-rate units as they could under the regular zoning, and build affordable units in addition to the market-rate units. (Note that this may not be possible in practice for every development given other site, zoning, and building code constraints.) For a fully affordable housing development, the project could simply increase the maximum density by whatever the maximum bonus is. As a policy example, the City of Bend’s density bonus provisions allow a maximum bonus of 1.5 times the base density for projects that dedicate up to 50% of units as affordable.

Tigard’s density standards vary by zone and by types of residential development allowed (e.g., cottage clusters, apartments, quads, single family detached, etc.). The bonus could be available at varying ratios based on the type of residential development and zone, and could offer a larger bonus where more density is more appropriate and/or where the additional density is more valuable. The bonus need not work everywhere and for every project, as long as it provides meaningful benefits some of the time. Further analysis would be needed to determine with any degree of certainty whether this would be the case. Monitoring program results over time would be useful in helping the City calibrate it to work more effectively.

**Market Environment Considerations:**

- Density bonuses will be most effective in areas where developers commonly seek to exceed current development code standards. If there is no market impetus to build at greater density or height, these bonuses don’t provide value. In some parts of Tigard, the ability to add more housing density is likely to be a positive incentive, whereas the need to exceed current height standards to do that is questionable. For example, existing density and height allowances are already relative generous in Tigard’s Downtown area and the market for density or height bonuses there may not be strong. In those areas, parking requirements and the construction costs of taller structures are a bigger constraint on what level of development can be achieved.

- Many market-rate developers are likely to perceive affordable units as somewhat of a sacrifice, but may be willing to add them as a “loss leader” that will allow the market portion to be more affordable. To ensure that the developer sees an increased benefit from the added density, the program should be calculated so that not all of the additional capacity is
taken up by the required affordable component. The bonus should allow for additional market-rate units as well.

**B. Reduced Parking Requirements**

Reducing parking requirements can allow more housing units to be built on a given site—especially when paired with density bonuses—and can reduce the cost of building surface parking, which costs roughly $5,000 per space. Tigard’s CDC requires a minimum of 1 space per dwelling unit for most housing types including cottage clusters, courtyard apartments, quads, rowhouses, and single-family detached houses. For apartments, the minimum requirements vary by size of units, ranging from 1 space for units with less than 500 square feet and 1-bedroom units, 1.25 for 2-bedroom units, and 1.5 spaces for 3-bedroom units. Also, apartment developments with 10 or more required vehicle parking spaces are required to provide additional vehicle parking for guests, at a rate of 15% of the minimum vehicle parking requirement. For some development where the lot is within 2,500 feet of a right-of-way that includes transit service, the minimum parking requirement can be reduced by half. This reduction applies to cottage clusters, courtyard apartments, and quads, but not apartments. Some residential development has the option to use on-street parking credit; however, that is also not an option provided for apartments.

Parking reductions for affordable housing should be linked to the presence and quality of transit service, to ensure that residents without vehicles still have good transportation access. However, since some residential development already receives transit-related parking reductions in Tigard, the affordable housing reductions would need to be greater than the existing reductions. One option the City could explore is to eliminate or significantly reduce minimum parking requirements for 100% affordable housing developments located near high-quality transit service. Research suggests significant differences in vehicle ownership and vehicle trip generation based on income levels and access to transit services, which could justify waiving parking requirements altogether. This may be most appropriate if targeted at housing that is deeply affordable (i.e., reserved for those earning less than 50% AMI).

**Policy Examples:** The City of Portland waives parking requirements for housing developments located near transit that provide a percentage of affordable units as part of the City’s Inclusionary Housing program. For development with affordable units located far from transit, Portland allows developers to deduct the affordable housing units when calculating the number of required parking spaces.

The Beaverton Affordable Multifamily Housing Preservation and Development Study recommended linking parking reductions to the presence and quality of transit service. The study recommended that the City offer a reduction in minimum parking to 0.75 spaces per unit for affordable housing in mixed-use zones and areas located near transit (down from the current requirement of 1 space per unit in mixed-use zones). The study also suggested reducing parking requirements by 0.25 spaces per unit for developments with affordable housing in all other areas, so that the range would be from 1.0 to 1.5 spaces per unit depending on number of bedrooms. The study noted that these reductions are similar to those recently adopted by Washington County and are supported by recent research of car ownership and trip generation rates for residents of affordable housing in other communities.
**Tigard Community Development Code Parking Analysis:**

As a part of this report, DLCD has provided an analysis of the existing parking requirements in the Tigard Community Development Code and recommendations for reducing the current parking requirements. Analysis determined that the City “requires more parking than the market would likely provide on its own.” There are negative impacts of excess requirements, which include increasing costs of development, often subsequently affecting cost of rent. DLCD provided draft language to update CDC Chapter 18.410 Off-Street Parking and Loading (see Appendix B). Some of DLCD’s suggestions include:

- Remove limits for the on-street parking credit in CDC Chapter 18.410.090. These could be widely available for all uses, need not be on the same side of the street, could be for spaces as small as 20 feet, and could be on unimproved roadways. This can reduce the construction of excess duplicative parking spaces, freeing up land and money for higher and better uses.

- Reduce the number of spaces required generally. There are many multi-unit developments in transit-served areas in Portland, for example, that provide significantly less than one space per unit, and are finding success in the market. Generally, developers have strong incentives to build sufficient supply to meet demand. We would recommend that vehicle minimum requirements be no more than 0.5 per unit for smaller units, and no more than 1 per unit for larger units.

It is not within the scope of the Tigard Housing Strategies Implementation Plan to recommend amendments to minimum parking requirements, except as part of an incentive zoning strategy. However, the City could consider applying DLCD’s recommendation for reducing parking minimums (to 0.5-1 space per unit) to developments that include a minimum amount of affordable housing. The City could also consider implementing DLCD’s recommendations as part of a separate code amendment project.

**Market Environment Considerations:**

The primary incentive offered by reduced parking requirements is greater use of a development site for the built structure, or conversely the ability to use a smaller site/less land for the same structure. It is common for developers to start with parking requirements and the constraints that they create when they determine the potential of a development site. Often it is the space needed for parking, landscaping, setbacks and related requirements that ultimately limit the achievable density on a site rather than the density standard cited in the development code. Reducing the parking requirement gives flexibility and allows an increase in density, which translates to more rentable space. A secondary benefit is some saved cost on developing the parking area.

In a suburban environment, market developers will be hesitant to lower their parking ratio too far, even if allowed, because they will presume that most renters will be car-owners. Also lenders and potential investors may have more traditional expectations for the parking ratio. But some reduction can be accommodated in most programs.
This measure is likely to result in the development of some new units in many projects. Unlike the density/height bonus, it is likely to incentivize additional units over more of the city, not just where density maximums are currently being reached.

**C. Relief from Mixed-Use Requirements**

Tigard currently has some mixed-use requirements associated with residential development in commercial zones, which could be reduced or eliminated for affordable housing development.

The CDC permits residential uses in commercial zones, but only in mixed-use developments—residential is allowed on or above the second floor and the ground floor must be a commercial use. This provision exists in the Neighborhood Commercial (C-N), Community Commercial (C-C), and General Commercial (C-G) zones. It should be noted that residential uses in this zone are not regulated by the types of residential development outlined in CDC Chapter 18.200. If relief from the ground-floor commercial requirements is permitted for affordable housing development, standards should be updated to regulate the type of residential development permitted in the commercial zones. If it is important to continue to create more active uses on the ground floor in these areas, the City could encourage or require ground floors to include features such as community rooms, business offices, or similar uses, in place of ground floor housing units. Because it is a significant incentive, relief from mixed-use requirements should only be applied to developments comprised entirely of affordable units and should require a significant affordability period—60 years, at a minimum.

**Market Environment Considerations:**

The requirement for a mix of uses can certainly hinder development in a market where one real estate category is in demand, but the market for the other category is soft. The traditional mixed-use building of multiple residential floors over ground floor commercial can have some costs that single-use structures do not. Often the floor plates for the two uses do not match up, complicating development and adding costs. Special firewalls and other safety features are often required between the uses. Some redundant systems need to be built into the structure, such as entrances, mail and waste facilities, and separate parking. Furthermore, some developers, investors and property managers are only familiar with one category of real estate. In addition, building managers or owners are faced with the task of continually leasing ground floor space to retail or commercial businesses often at below-market rates. Finally, financial institutions are often reluctant to provide financing for mixed use buildings in soft markets.

For these reasons, mixed-use development can face hurdles that single-use development does not. A program to relieve affordable housing developers of mixed-use requirements that they would otherwise face may be a strong incentive to some to add an affordable component to the building. If the builder is uncomfortable with the commercial portion for any of the above reasons, he or she may be willing to add affordable units in order to build residential only. As mentioned with the density bonus, the program can be calibrated so that not all of the additional units made possible by
the dropped requirement must be affordable. The ability to add some additional market-rate units as well will provide a stronger incentive.

**NEW FUNDING SOURCES CONSIDERED IN THIS STRATEGY:** None.

**EXISTING FUNDING SOURCES CONSIDERED IN THIS STRATEGY:** The City may be able to use existing staff resources. If consultants are needed, the costs will be minimal and can likely be accommodated within the departments’ annual budgeting process.

**RECOMMENDATION:** Develop code amendments to apply density bonuses, reduced parking requirements, and relief from mixed-use requirements for affordable housing. Tigard’s Affordable Housing Task Force suggested implementing reducing parking requirements and mixed-use relief as higher priorities for implementation than density bonus amendments. However, it may be most efficient to package all three incentives for the code amendment adoptions process.

- **Density Bonus** – Allow the number of units on a development site to be increased by 1 unit for each affordable housing unit provided, up to an appropriate maximum that should be determined by the City. **Priority: Medium**
- **Reduced Parking Requirements** – Reduce parking requirements for affordable housing developments near high-frequency transit service to 0.75 spaces per unit. Allow a reduction of 0.25 spaces per unit for affordable developments in all other areas. **Priority: Medium**
- **Relief from Mixed Use Requirements** – Allow multifamily projects that are 100% affordable to avoid building commercial uses on the ground floor. Require a minimum affordability period of 60 years. **Priority: High**

**IMPLEMENTATION STEPS:**

**Immediate actions:** Discuss and work with Community Development Department staff to add code amendments into their work plan.

**Medium term actions:**

- Research best-practices, consult with stakeholders, and determine appropriate incentives for Tigard.
- Draft code amendments.
- Provide opportunities for public comment.
- Bring amendments forward for hearings.

**Long term actions:** Implement the amended development code through development review. Monitor utilization of the incentives and ask for feedback from developers who may have considered the incentives. Test example developments for what other code amendments may be needed to make the density bonuses and parking reductions more effective.
12. Community Land Trusts

**HOW THE STRATEGY WORKS:** A Community Land Trust (CLT) is a model wherein a community organization owns land and provides long-term ground leases to low-income households to purchase the homes on the land, agreeing to purchase prices, resale prices, equity capture, and other terms. This model allows low-income households to become homeowners and capture some equity as the home appreciates but ensures that the home remains affordable for future homebuyers. CLTs may also lease land to affordable housing developers for the development of rental housing or may develop and manage rental housing themselves. Land trusts are typically run as non-profits, with support from the public sector and philanthropy, and could be linked to a land bank. Land trusts can be focused on homeownership or rental units.

A community land trust (CLT) is an independent, nonprofit corporation chartered in the state where it is located. Most operate within the boundaries of a targeted area, though some serve entire cities, multiple cities, or even entire states. There are various types of CLTS which have varying funding mechanisms, structures, etc. Examples include conventional CLTs, development-oriented CLTs, and land bank stewards. Throughout the various CLTs, even those not sponsored by a government entity often receive local government support in the form of seed funding, on-going administrative and operational funding support, or land donations and grants.

Supporting an existing CLT would likely provide a greater impact than supporting the startup of a new CLT. The City of Tigard could support a local CLT such as Proud Ground, which operates in five counties in Oregon and Washington—Clackamas, Clark, Lincoln, Multnomah, and Washington—but does not have any holdings in Tigard at this time. Proud Ground’s model enables low-income households to become homeowners and capture some predetermined limited share of equity as a home appreciates in market value, but also allows the CLT to retain a larger share of the equity which remains with the home and ensures that the same home remains permanently affordable for future income-qualified homebuyers. For single-family homes, Proud Ground leases the land to the homebuyer. For condos, they apply an affordability covenant, also known as deed restriction, to each unit and the land is held in common by condo owners. Proud Ground and their partners typically provide permanently affordable housing to individuals or families within the range of 30% to 60% AMI.

The City can play a variety of roles in supporting CLTs through administrative or financial support:

A. **Donate City-owned land to be managed by CLTs**

   The City can transfer property they see fit for affordable housing development to a CLT to develop and maintain the development. Important considerations when evaluating public land for donation are condition, location, and buildability of the property. Examples of local jurisdictions donating publicly owned land to CLT are found in Portland and Lincoln County, where both jurisdictions have donated land to Proud Ground.

B. **Provide grants or low-interest loans for specific development or rehabilitation projects**
Grants and loans can provide funds to CLTs to assist with predevelopment costs or acquisition and rehabilitation costs for existing homes. From the CLT’s perspective, grants are preferable to low-interest loans because they are typically easier to manage.\(^{34}\)

C. **Provide down payment assistance for homes owned by CLTs**

Providing down payment assistance grants can help create homeownership for those who otherwise would not have the opportunity. Proud Ground estimates that $100,000 per unit in subsidies is needed to create their permanently affordable dwellings. Typically the funding is achieved by layering multiple funding sources. Grants to cover down payment costs can help bridge the gap between what the homebuyer can afford and the actual cost of the home.

Both the City of Hillsboro and City of Beaverton provide down payment assistance grants in partnership with Proud Ground. The City of Hillsboro offers down payment grants of $80,000 for first-time, income-qualified homebuyers. The grants allow the purchase of homes priced up to $325,000.\(^{35}\) The City of Beaverton has a similar program that provides grants up to $76,500 for homes in priced up to $305,000.\(^{36}\) Both Beaverton and Hillsboro use CDBG funds to finance the grant programs. Another source of funding for this program could be CET flexible funds.

D. **Funding Partnership**

Providing direct funding to a CLT is also an effective way to support affordable homeownership. For example, the City of Hillsboro provides an annual set-aside of CDBG funds to Proud Ground, which allows the organization to eschew the competitive grant process annually. Proud Ground was not operating in Hillsboro prior to receiving funding from the City; therefore, this partnership has been key to Proud Grounds ability to expand their local capacity. This partnership was made possible, in part, by the City Council’s priority focus on affordable homeownership opportunities.

Individually a single CLT support mechanism is not sufficient to create an entire development, however multiple types of support in combination with other incentives (e.g. SDC exemptions, density bonuses, etc.) can make development of affordable housing feasible.

*Market Environment Considerations:*

In real estate markets where housing prices rise faster than household incomes, CLTs reduce the cost of subsidizing affordable homeownership units over time. As housing prices rise, and incomes don’t keep up, the amount of subsidy needed to purchase the same home increases with each new buyer. If the CLT owns the land, however, they can control the rate of price increase, reducing or eliminating the need for a subsidy for subsequent buyers.

In submarkets or neighborhoods in the early stages of rising housing costs, CLTs can be effective at gaining permanent control over at least some portion of the land and preserving land for income-restricted housing units. In submarkets or neighborhoods with high housing/land costs, the CLT will be able to acquire fewer housing units or less land.

**NEW FUNDING SOURCES CONSIDERED IN THIS STRATEGY:** CDBG and CET funds.
EXISTING FUNDING SOURCES CONSIDERED IN THIS STRATEGY: Existing general fund revenue might be appropriate to direct towards supporting a CLT.

RECOMMENDATION: Partner with an existing local CLT organization to expand their capacity to provide affordable homeownership in Tigard. Among the four types of support listed above, down payment assistance is the most likely and appropriate approach in the near- or medium-term. Development/rehabilitation grants, donation of City-owned land, and an annual funding set-aside may be feasible in the long-term. Priority: High

IMPLEMENTATION STEPS:

- **Immediate actions:** Work with an existing local CLT organization to discuss opportunities for expansion into Tigard.

- **Medium term actions:**
  - Based on adoption of new funding sources, determine what capacity the City has to provide assistance to an existing local CLT organization and how that aligns with their needs.
  - Develop down payment assistance grant program. This could start with a pilot project, and could grow into a long-term program from there.

- **Long term actions:** Potentially provide ongoing support through development/rehabilitation grants, donation of City-owned land, and an annual funding set-aside.

PARTNERS: Existing local CLT organizations

13. Land Banking & Acquisition

HOW THE STRATEGY WORKS: Land acquisition and banking are tools that can be used separately or together for development of new affordable housing or for preservation of existing affordable housing - both regulated and low-cost market rate (LCMR) housing.

**Land acquisition** is a tool to secure sites for affordable housing. Public agencies can identify locations where prices are going up and acquire land before the market becomes too competitive, with the intention to use the land for affordable housing. The ability to identify promising sites within these locations and act quickly and efficiently in acquiring them can tip the scales to make an affordable housing development financially feasible.

**Land banking** is the acquisition and holding of properties for extended periods without immediate plans for development, but with the intent that properties eventually be developed for affordable housing. Land banks are often quasi-governmental entities created by municipalities to effectively manage and repurpose an inventory of underused, abandoned, or foreclosed property. Public agencies or larger nonprofits may be better equipped than small community development corporations to do both land acquisition and banking.
In 2015, state legislation made it possible for local governments to create government authorities that have an explicit focus on buying and holding land. While the land bank legislation was created with the intent of incenting brownfield redevelopment, the tool can be used for the purpose of creating affordable housing. Many cities had land acquisition strategies in place before this legislation, using both general fund dollars and urban renewal funds to strategically purchase land or buildings in high-opportunity areas. It may be worth exploring the benefits and drawbacks of using this legislation to formalize a land bank as a focused entity that is separate from the City structure.

Clackamas County is one of the few jurisdictions to pursue the creation of a land banking authority as a result of the state legislation. The County is currently in the process of developing the Clackamas County Land Banking Authority (CCLBA). The land bank is planned to target brownfield redevelopment and is primarily focused on increasing the availability of employment lands, but the County has also begun to discuss the land bank’s ability to provide land for affordable housing. Affordable housing is proposed to be one of the three criteria for the scoring sheet to inform acquisition decisions, the criteria mirrors CCLBA’s priorities. The CCLBA is still in the early stages of creation; their business plan was presented to the County Board of Commissioners in April 2019 and approved contingent on funding. The City should continue to track the CCLBA’s process of development, implementation, and impact.

For land banking or acquisition, having a set of criteria to evaluate potential sites is necessary to support strategic land investments. For the City to be both nimble and strategic, it should map any spatial criteria in advance. The City could also develop a target list of properties for potential acquisitions (which would need to be kept confidential) to pursue these acquisitions. The City could also explore opportunities to trade vacant land for developed LCMR housing, or to acquire existing LCMR housing directly, as part of the land acquisition strategy and housing preservation program. (Note: acquisition of LCMR housing is discussed as part of Strategy #9 of the AHP.)

_Market Environment Considerations:_

Land acquisition by a city or city partner is the most direct method to ensure that a key parcel or location will be preserved to meet public goals such as affordable housing, mixed uses, transit-oriented development, etc. By controlling the property, the City ultimately dictates what happens there. The value of the land is a strong incentive that can be offered to potential development partners to participate in the project.

Land can be acquired cost-effectively if purchased in down-cycles and used to leverage developer investment. Land banking allows for patient investment in rental or ownership units.

**NEW FUNDING SOURCES CONSIDERED IN THIS STRATEGY:** A portion of CET funds could potentially be used for land acquisition.

**EXISTING FUNDING SOURCES CONSIDERED IN THIS STRATEGY:** Tax increment financing (TIF) is likely the most appropriate source of funding for land acquisition in urban renewal areas. However, its use for broader land acquisition for affordable housing will be somewhat limited, given that TIF
can only be used for property acquisition inside the URA boundaries. General funds can also potentially be dedicated to land acquisition.

**RECOMMENDATION:** Availability of land for the city to acquire is limited. However, the City could evaluate their current inventory of properties and consider what properties may be available in the future. With the amount of funding and administrative investment to develop program and acquire property should not be a high priority of the city with the number of properties expected to receive in return. We recommend the city take steps to be prepared if properties are presented but avoid developing an extensive program targeting land banking and acquisition. **Priority: Low**

**IMPLEMENTATION STEPS:**

**Immediate actions:** There are many actions the City would need to take in the near-term to develop a land acquisition strategy to serve affordable housing. These include, but are not limited to:

- Verify potential funding levels and sources with a focus on the ability to deploy funds quickly and flexibly when opportunities arise.
- Consider internal staffing capacity and roles with a focus on the ability to act quickly and flexibly when opportunities arise.
- Evaluate pros and cons of creating a separate land banking authority (as authorized in the 2015 legislature).
- Establish criteria for evaluating and prioritizing sites.
- Reach out to other potential public sector or private sector partners to consider investment targets and/or to strategize on how to leverage funding. Partners could include existing affordable housing nonprofits in the area who might assist in developing and operating affordable housing in the long run; real estate market partners who are actively watching the market; and/or other public agencies, service providers, or religious institutions who may have surplus land from time to time. The City should identify which partners it would work with to build and operate housing. The City should also consider how tightly it would prefer to partner (e.g. joint development, land lease, or property sale).
- Discuss target areas for land acquisition within urban renewal districts (tied to tax increment financing) or citywide.

**Medium term actions:** Once funding levels and sources have been determined, and criteria have been considered, the City should begin scanning the market for potential sites. Partners in the private real estate market will be essential to help track and watch the market. The City could also develop a prioritized list of sites and contact property owners (directly or via a partner) proactively to inquire about the property owner’s interest in selling. Sites may include vacant land, properties that are correctly zoned but underutilized, or properties that could be fully redeveloped. Brownfield sites could be evaluated if assessment and remediation funding can be found.

The City should assemble staff and funding so that it can react and deploy quickly when opportunities arise.
**Long term actions:** The City will likely want to establish a comprehensive Land Acquisition Strategy so that it has a plan for how it will operate the program for the longer term. Items to incorporate in the strategy could include:

- Funding sources and uses
- Criteria for site evaluation
- Established and committed partners
- MOUs or development agreement templates with partners
- Strategies for transferring land after acquired
- Metrics for evaluating program success

Such a strategy will help quell uncertainty and allow the City to act quickly without worrying about how it will divest or use the investment in the future.

Once several transactions have occurred, the City will likely want to evaluate the program’s success based on the metrics in the strategy.

**PARTNERS:** Potential partners include Oregon Housing and Community Services (OHCS), the Housing Authority of Washington County, the Network for Oregon Affordable Housing, the Community Housing Fund, any affordable housing organization working in the City, private developers, real estate market professionals, banks and CDFIs, and many others.

**ADDITIONAL CONSIDERATIONS:** The City will need to use caution in public documentation of this strategy to be vague on location of land acquisition targets, so that land pricing is not affected. Because land costs tend to increase over time, the sooner the City can acquire the land, the more cost-effective the strategy will be.

**14. Staff Allocation to Housing Program**

**HOW THE STRATEGY WORKS:** As a long-term strategy to increase the City’s administrative capacity for addressing affordable housing issues and providing more effective and efficient use of resources, the City could consider dedicating one or more full or part-time staff members to these efforts. The dedicated staff member could oversee affordable housing programs, develop housing policy, and serve as a liaison to the City’s housing partners, including non-profits, Washington County, Metro, and other local, regional, or state partners.

Having a dedicated staff person to oversee housing programs would provide more resources, a higher degree of continuity, and potentially more technical expertise towards the task of implementing the strategies identified in the Tigard Affordable Housing Plan. Developing and implementing some of the strategies and programs described in this document will take a significant amount of staff time. Ultimately, the City will need to decide if the expense of dedicating additional staff resources to these activities is financially feasible and justified based on an assessment of the
enhanced ability of a number of these strategies to leverage financial or partnering resources towards achieving affordable housing goals.

**RECOMMENDATION: Develop a Staffing Roadmap**

Tigard should approach this strategy as a long-term plan or roadmap for staffing its affordable housing work over the next 10 years. The City can expect that as its population and tax base grows, its budget will increase, likely resulting in additional administrative capacity over the next decade. At the same time, the need for staff dedicated to its housing programs is likely to increase as rising property values intensify the urgency to provide affordable housing, and as the City adopts strategies to address housing issues. Therefore, staffing levels for the City’s housing programs should be commensurate with the City’s growth, the rising need for housing, and the additional work required to meet the need. The long-term plan should also account for additional funding sources that could contribute to funding additional City staff.

The staffing roadmap should account for staffing needs associated with each housing strategy adopted as part of the Affordable Housing Plan. The draft strategy evaluation tables included in the AHP (Appendix B) identify the expected relative level of administrative investment needed for each strategy. The City should use this assessment to estimate staffing needs based on which strategies are adopted and based on timing of implementation. It may make sense to start with lower-investment strategies that require less staff time to implement—especially those with the potential for greater impact—then to implement strategies with higher administrative needs as staffing capacity grows. As part of the AHP implementation, the City should also connect housing strategies with potential new funding sources, which will help the City determine the appropriate timing for implementation of each strategy and to identify needed financial resources.

Many other cities in the Metro-area have staff dedicated to housing-related work. For example, the City of Hillsboro has two full-time staff—a CDBG coordinator and a project manager. The CDBG coordinator was hired when Hillsboro became a full entitlement community. The project manager made the transition from working on housing only part-time to dedicating all his time to housing when the Metro Housing Bond conversations picked up speed and required full-time attention. Aside from hiring a CDBG coordinator, the City did not add personnel to increase staffing capacity for housing; rather, the existing roles were simply reconfigured. Tigard could consider a similar approach, at least in the near- or medium-term. The City could also start by adding 0.5 FTE, and either assigning that staff member to housing work or redistributing responsibilities from existing staff so that they may dedicate their full time to housing.

In order to hire an affordable housing staff member, the City will presumably need funding from one of the funding sources recommended in this report or will need to prioritize this position over other staff. Therefore, it must follow implementation of one or more funding strategies. **Priority: Medium**
NEW FUNDING SOURCES CONSIDERED IN THIS STRATEGY: Should the City pursue individual CDBG entitlement in the long-term, a portion of funds could be used to cover administrative costs. However, these funds would not be sufficient to support staff time dedicated to any other housing programs, besides those funded by CDBG dollars (and may not even be sufficient to cover those costs, as discussed under Strategy #2). A portion of CET funds could potentially be used to partially fund staff resources for affordable housing programs.

EXISTING FUNDING SOURCES CONSIDERED IN THIS STRATEGY: The general fund would likely be a primary source of funding for the City’s housing staff.

IMPLEMENTATION STEPS:

• Immediate actions:
  o To the extent that housing-related work is spread among multiple existing staff members, consider consolidating existing functions into one full-time staff member dedicated to housing issues and programs.
  o Estimate staffing needs in the short-, medium-, and long-term, based on the implementation framework of the Affordable Housing Plan. Determine what can be accomplished using existing staff and resources, and what strategies would require additional administrative capacity.
  o Consider partnering or contracting with another organization (nonprofit or public entity) to share staffing resources and expertise. This could be done through a shared funding arrangement and could be an efficient way to meet the capacity needed for housing coordination with a staff member in a partnering organization.

• Medium term actions:
  o Once it is determined that additional City staff is needed, advocate for adding housing staff to the City budget. This will require making the case to City Council as to why additional staff is justified. Council needs to understand the urgency of the need, what the City would lose if staff were not dedicated to housing issues, why housing issues should be prioritized in relation to other staff duties, and how additional staffing could help leverage additional non-City resources dedicated to addressing housing needs.
  o Consider adding 0.5 FTE prior to a full-time hire.
  o Continue assessing and estimating staff needs as new housing strategies are implemented and as staff’s understanding of needed administrative investment evolves.

• Long term actions:
  o Continue advocating for additional staff as the City’s housing programs expand and progress, and as the City’s tax base and budget grows.
  o Continue seeking additional funding sources to support additional administrative capacity.
PARTNERS: N/A

15. City Support for Resident Services and Supportive Housing Services

HOW THE STRATEGY WORKS: This strategy involves the City extending support to existing providers of resident services—typically nonprofit agencies. The purpose of these services is to increase housing stability and improve quality of life for residents of regulated affordable housing. These services are typically provided to those earning very low incomes (30% AMI or less), for whom housing alone may not be sufficient to support stability and economic independence.

It is important to distinguish “resident services” from “supportive housing”—two key categories of services provided to occupants of affordable housing. While there is overlap between resident services and supportive housing, a key difference is the populations that are targeted. Definitions and examples of each category of services are provided below.

- **Resident Services** – Housing enriched with “resident services” refers to permanent (regulated) rental housing, focusing on increased opportunity and self-sufficiency for residents, with at least one person on-site providing the coordination of services (some delivered by the owner directly on-site, others by referral to local partners). Optimally, this is coordinated with property management.

  Typical on-site resident services may include:
  - After-school / summer programs (for safe haven and to increase educational performance)
  - Computer learning centers and lending libraries
  - Financial literacy and homeownership preparation
  - Neighborhood watch and other public safety
  - Health classes and activities (e.g., yoga, blood pressure, fall prevention)

  Typical referral services include:
  - Housing navigators / case management
  - Health (including mental health and addictions)
  - Job readiness and job placement
  - General Educational Development certificate (GED) and other adult education opportunities
  - Emergency needs for rental, utility, food to help households in crisis
  - Access to transportation or child care assistance to ensure access to jobs, services

Community Partners for Affordable Housing (CPAH) is one nonprofit affordable housing provider working in Tigard and other area communities that extends resident services to its tenants. In addition to services similar to the lists above, CPAH’s resident services coordinators provide eviction prevention and assistance for food and utilities to help tenants
stay stable in their homes. CPAH also provides community gardening and other community-building and placemaking activities.

- **Supportive Housing** – Supportive housing is most often a strategy for addressing homelessness. According to the U.S. Interagency Council on Homelessness, “supportive housing combines non-time-limited affordable housing assistance with wrap-around supportive services for people experiencing homelessness, as well as other people with disabilities.”

Supportive housing is widely believed to work well for those who face the most complex challenges—very low incomes, substance abuse, mental health issues, chronic illness, diverse disabilities, or other serious challenges to stable housing. Typical social services provided with supportive housing include job training, life skills training, alcohol and substance abuse treatment, child care, educational programs, and case management.

Resident services and supportive housing services have been identified as a critical need for the success of the Metro regional affordable housing bond. Metro-area voters approved the $652.8 million general obligation bond in 2018, with the goal of creating affordable housing for approximately 12,000 people in the greater Portland region. Of the 3,900 permanently affordable homes that are to be created, 1,600 homes will be deeply affordable to households earning 30% AMI. In early implementation meetings for the housing bond, resident services have emerged as a large gap and critical need in making the targeted 30% AMI housing successful.

**Resident services** may be the more likely focus of the City of Tigard’s support as part of a larger affordable housing strategy. Resident services are less targeted to specific high-need populations, and can enhance the effectiveness of the City’s investments in affordable housing by helping to stabilize housing for residents of affordable units. Resident services also help build community among residents through various group events and classes, an outcome that is very much in line with the purpose and goals of Tigard’s Community Development Department.

While **supportive housing services** such as homeless services, and services for those facing mental illness or substance abuse, are more typically the purview of the County or the State, the City may have a role to play in helping fill the funding gap identified in the Metro housing bond conversations. Tigard already provides support to nonprofit partners such as Just Compassion, which provides services to homeless adults in the area. The City is collaborating with Just Compassion to address the lack of homelessness resources in Tigard and has provided a small social services grant and in-kind support.

**POTENTIAL CITY SUPPORT:**

Resident services and supportive housing services provided by nonprofits are funded through a combination of public and philanthropic grants, charitable donations, and other fundraising. The best way the City could support and enhance these services in Tigard is through additional funding to these nonprofit organizations.

As an example, the City of Beaverton extended a $200,000 deferred payment Resident Services Forgivable Loan to directly support the long-term provision of a half-time resident services
coordinator at CPAH’s Cedar Grove affordable housing project. Cedar Grove is located in a high-opportunity, transit-oriented area and will provide 44 units that are affordable at or below 50% AMI. The intention is to pair the Resident Services Forgivable Loan proceeds with philanthropic grant proceeds to create an endowment fund that—along with project income—will be used to provide perpetual residential services to the Cedar Grove project.⁵³,⁴⁴

In addition to financial support, the City could also support local nonprofits’ provision of services by promoting the integration of affordable housing with on-site services for very low-income residents into existing neighborhoods. These types of developments often face neighborhood opposition, which can slow or even stall the development process. The City can support the efforts of local nonprofit developers by advocating for the affordable developments, meeting with concerned neighbors, and providing information that can help address their concerns.

**NEW FUNDING SOURCES CONSIDERED IN THIS STRATEGY:** CDBG and CET funds could be used to support resident services and supportive housing services. Tigard is also considering adoption of a local option levy for public safety and a bond for construction of a new police facility, which would be sent to voters in 2020. While policing is the primary focus for this levy, funding for homeless services could potentially also be incorporated. Supportive housing can often be more cost effective at addressing homelessness, when compared to the cost of police services or other emergency services.

**EXISTING FUNDING SOURCES CONSIDERED IN THIS STRATEGY:** Potential funding from existing sources include the general fund or tax increment financing (TIF) in urban renewal areas.

**RECOMMENDATION:** In the near-term, advocate for supportive housing services to be incorporated into the 2020 public safety levy. In the medium- or long-term, dedicate City funding to supporting non-profits in providing resident services. This strategy can be incorporated into several current or near-term City initiatives. **Priority: High**

**IMPLEMENTATION STEPS:**

- **Immediate actions:**
  - Work with City Council to advocate for supportive housing services as part of strategy development for the 2020 safety levy.
  - Consult with partners, stakeholders, and community members to identify gaps in funding for resident and supportive services—both for existing affordable housing and for planned future developments.

- **Medium term actions:**
  - Identify a sustainable funding source for supporting resident and supportive services.
  - Work with City Council to determine an appropriate annual funding allocation, based on the identified need and on available City funds.
  - Identify the mechanism for allocating City funds—e.g., grants, low-interest or forgivable loans, etc.
  - Determine the process for selecting eligible projects to support.
o Incorporate support for resident services into the City’s strategic plan and budget.
o Administer the funding program.

• **Long term actions:** Track outcomes of funding and maintain partnerships with nonprofit housing organizations.

**PARTNERS:** Washington County, Community Partners for Affordable Housing (CPAH), and other nonprofit organizations that currently provide or intend to provide residential services.
Section 4: Summary of Recommendations

Table 6. Summary of recommendations for all strategies discussed in the AHP

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Recommendation</th>
<th>Priority</th>
<th>Cost</th>
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<tbody>
<tr>
<td>Funding Sources</td>
<td></td>
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</tr>
<tr>
<td>1. Construction Excise Tax</td>
<td>Adopt a 1% CET on both residential and commercial/industrial construction.</td>
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<td>N/A</td>
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<tr>
<td>2. CDBG Entitlement</td>
<td>Pursue joint entitlement, in partnership with Washington County.</td>
<td>High</td>
<td>N/A</td>
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<td>3. TIF Set Aside</td>
<td>Create a TIF set-aside for affordable housing development and programs in</td>
<td>Medium</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>both the Tigard Triangle and City Center URAs.</td>
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<tr>
<td>Tools that Remove Development Barriers</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>4. Reduced or Exempted SDCs</td>
<td>Offer deferral and financing of SDCs at a low interest rate desired housing</td>
<td>Medium</td>
<td>$</td>
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<tr>
<td></td>
<td>types.</td>
<td></td>
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<tr>
<td></td>
<td>Participate in a regional process with other Washington County service</td>
<td>Medium</td>
<td>$</td>
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<tr>
<td></td>
<td>providers to lower non-City SDCs.</td>
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<tr>
<td></td>
<td>Update the City’s SDC methodology to tie fees to dwelling size.</td>
<td>Low</td>
<td>$$</td>
</tr>
<tr>
<td>5. Development Fee Reductions</td>
<td>Not recommended</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>6. Tax Abatements</td>
<td>Update the City’s existing Nonprofit Low-income Housing program to</td>
<td>Medium</td>
<td>$</td>
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<tr>
<td></td>
<td>terminate the tax exemption if the eligibility criteria are no longer met and</td>
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<td>to apply it to land held for development of affordable housing.</td>
<td></td>
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<tr>
<td></td>
<td>Adopt a tax freeze for residential rehabilitation and apply controls for rental</td>
<td>Medium</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>rates during the period of the abatement</td>
<td></td>
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<tr>
<td>7. Addressing Restrictive CC&amp;Rs</td>
<td>Pending the adoption of HB 2001, adopt policies in the Tigard Municipal</td>
<td>High</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Code that prohibit a private contract from including provisions that restrict</td>
<td></td>
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<tr>
<td></td>
<td>middle housing.</td>
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</tbody>
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(table continued on next page)
<table>
<thead>
<tr>
<th>Programs to Develop or Preserve Affordable Housing</th>
<th>Description</th>
<th>Recommendation Level</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>8. Inclusionary Zoning</strong></td>
<td>Not recommended in the near- or medium-term. If state provisions for administering IZ programs were revised to remove some of the barriers to implementation discussed above, future implementation in Tigard may be more feasible.</td>
<td>Low $200</td>
</tr>
<tr>
<td><strong>9. Preservation of Low Cost Market Rate (LCMR) Housing</strong></td>
<td>Develop a low-interest loan program for rehabilitation of LCMR in exchange for regulating rents to preserve affordability.</td>
<td>Medium $200</td>
</tr>
<tr>
<td><strong>9.</strong></td>
<td>Explore the option of a Housing Preservation Fund</td>
<td>Medium $500</td>
</tr>
<tr>
<td><strong>9.</strong></td>
<td>Discuss with Washington County the potential for partnerships in acquiring LCMR housing and converting to regulated affordable housing</td>
<td>Low $200</td>
</tr>
<tr>
<td><strong>9.</strong></td>
<td>Promote the use of the City’s Nonprofit Low-income Housing program for use in acquisition and rehabilitation projects</td>
<td>High $100</td>
</tr>
<tr>
<td><strong>9.</strong></td>
<td>Adopt a tax freeze for residential rehabilitation and apply controls for rental rates during the period of the abatement.</td>
<td>Medium $100</td>
</tr>
<tr>
<td><strong>10. Tenant and Homeowner Protections</strong></td>
<td>Develop rental registration and inspection program.</td>
<td>High $100</td>
</tr>
<tr>
<td><strong>10.</strong></td>
<td>Adopt tenant application reform policies.</td>
<td>Medium $100</td>
</tr>
<tr>
<td><strong>11. Incentive Zoning</strong></td>
<td>Develop code amendments to allow density bonus. Allow the number of units on a development site to be increased by 1 unit for each affordable housing unit provided, up to an appropriate maximum that should be determined by the City.</td>
<td>Medium $100</td>
</tr>
<tr>
<td><strong>11.</strong></td>
<td>Develop code amendments to allow reduced parking requirements. Allow affordable housing developments near high-frequency transit service to reduce requirements to 0.75 spaces per unit and a reduction of 0.25 spaces per unit for affordable developments in all other areas.</td>
<td>Medium $100</td>
</tr>
<tr>
<td><strong>11.</strong></td>
<td>Develop code amendments to allow relief from mixed use requirements. Allow multifamily projects that are 100% affordable to avoid building commercial uses on the ground floor.</td>
<td>High $100</td>
</tr>
<tr>
<td><strong>12. Community Land Trusts</strong></td>
<td>Partner with an existing local CLT organization to expand their capacity to provide affordable homeownership in Tigard through various programs.</td>
<td>High $5000</td>
</tr>
<tr>
<td><strong>13. Land Banking &amp; Acquisition</strong></td>
<td>Take steps to be prepared for acquisition if properties are presented, but avoid developing an extensive program.</td>
<td>Low $5000</td>
</tr>
<tr>
<td><strong>14. Staff Allocation to Housing Program</strong></td>
<td>Develop a long-term roadmap for developing staff capacity for housing work.</td>
<td>Medium $500</td>
</tr>
<tr>
<td><strong>15. City Support for Resident Services and Supportive Housing Services</strong></td>
<td>In the near-term, advocate for supportive housing services to be incorporated into the 2020 public safety levy. In the medium- or long-term, dedicate City funding to supporting non-profits in providing resident services.</td>
<td>High $5000</td>
</tr>
</tbody>
</table>
## Appendix A: Housing Strategy Summaries

This section provides summaries of housing strategies discussed in the Draft Affordable Housing Plan. These were initially provided in the Background Report. (Note: The order of the summaries has been rearranged since the Background Report to match the order presented in the Draft AHP).

### Section 1. Funding Sources
*(Note: these were addressed in Part 1 of the Draft AHP)*

| Description | A construction excise tax (CET) is a tax on construction projects that can be used to fund affordable housing. According to state statutes, the tax may be imposed on improvements to real property that result in a new structure or additional square footage in an existing structure. Cities and counties may levy a CET on residential construction for up to 1% of the permit value; or on commercial and industrial construction, with no cap on the rate of the CET. The allowed uses for CET funding are defined by the state statutes. The City may retain 4% of funds to cover administrative costs. The funds remaining must be allocated as follows, if the City uses a residential CET:
| **•** 50% must be used for developer incentives (e.g. fee and SDC waivers, tax abatements, etc.)
| **•** 35% may be used flexibly for affordable housing programs, as defined by the jurisdiction.
| **•** 15% flows to Oregon Housing and Community Services (OHCS) for homeowner programs.

If the City implements a CET on commercial or industrial uses, 50% of the funds must be used for allowed developer incentives and the remaining 50% are unrestricted.

| Legal Basis | The construction excise tax for affordable housing was enabled by Senate Bill 1533, which the Oregon Legislature passed in 2016. The limitations and requirements (discussed above) are outlined in ORS 320.170-195.

| Usage in Tigard or Other Cities | To date, eight jurisdictions (Portland, Corvallis, Cannon Beach, Hood River County, Hood River City, and Newport) have passed local CETs under the new state statutes, and many others are considering adopting the tool. Bend also had a previous program that was grandfathered in prior to the new statutes, and therefore follows different rules.) In addition, Metro assesses a CET on construction permits issued by local cities and counties in the Metro region. Below are a few examples of City programs in the region:
| **The City of Portland**’s CET went into effect in 2016. It levies a 1% CET on residential, commercial, and industrial development valued at $100,000 or more. The revenues pay for production of housing at or below 60% MFI, developer incentives for inclusionary zoning, along with state homeownership programs. Portland chose to dedicate 100% of commercial and industrial revenues, including the 50% that is unrestricted, to supporting the production and preservation of affordable housing. Overseen by the Portland Housing Bureau, the CET program is expected to generate $8.1 million in revenue."
The City of Milwaukie adopted a CET on commercial, residential, and industrial development in 2017. The City exempted deed-restricted affordable housing, ADUs, and improvements less than $100,000 from paying the CET. The adopting ordinance allocates funds as required by state statutes, specifying that flexible funds from the commercial improvements will be used 50% toward housing available to those making up to 120% of MFI, and 50% for economic development programs in areas with sub-area plans (such as Downtown and Riverfront, and the City’s urban renewal areas).

**Opportunities and Constraints**

- An advantage of a CET is that once established, it would be straightforward to administer through the development permitting process.
- CET increases development costs in an environment where many developers are already seeking relief from systems development charges, so it could impact development feasibility and increase the costs of housing more generally. However, by structuring the policy with offsetting incentives or tools to reduce development barriers, the City could potentially limit the impact on feasibility for certain projects.
- The additional costs to developers are passed on to tenants in new buildings, thereby increasing housing costs when demand for housing is high.
- Because CET revenue is development-derived, it will fluctuate with market cycles.

**Options and Alternatives**

Alternatives and questions to consider if the City of Tigard were to adopt a CET:

- Should the CET be applied to both residential and commercial/industrial property types?
- What tax percentage should be levied on residential construction (up to 1%) and on commercial and industrial construction (unlimited). Most jurisdictions that have implemented CETs in Oregon levy taxes at a rate of 1% for both development types.
- How should the 50% flexible commercial/industrial CET funds be dedicated (e.g., for economic development, affordable housing fund, or developer incentives)?
- What income levels should benefit from production of affordable units (e.g., households earning <60% MFI, <120% MFI, etc.)?
- Are there any conditions under which a developer would be exempted from paying the CET?

**Implementation Needs**

Establishing a construction excise tax would necessitate that Tigard City Council pass a new City ordinance. The City should work closely with the development and housing community in developing the fee structure. Implementing programs would need to be developed, and possibly coordinated with housing partners.

### 2. CDBG Entitlement / HOME Program

**Description**

The Community Development Block Grant (CDBG) Entitlement Program is a federal program administered by the Department of Housing and Urban Development (HUD). The program provides annual grants to entitled cities and counties to “develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons.”

All activities funded through CDBG programs must meet one of three National Objectives:

1. Primarily benefit low and moderate income individuals, families and neighborhoods;
2. Prevent or eliminate slums and blight;
3. Meet an urgent local need.
CDBG funds can be used for activities that support affordable housing, but they cannot be used to construct new housing. Eligible activities that may support affordable housing include acquisition of real property, rehabilitation of residential structures, and construction of public facilities and improvements (such as water, sewer, streets, neighborhood centers) that might support a new affordable housing development.

The HOME Investment Partnerships Program (HOME) is a related HUD program with a specific focus on increasing the supply of housing for low- and very low-income households. There are four eligible activities under HOME and all relate directly to affordable housing: home purchase or rehabilitation assistance, building or rehabilitation of housing, site acquisition or improvement, and supporting Community Housing Development Organizations. As described below, Washington County is a CDBG Entitlement Community (along with Beaverton and Hillsboro), and also operates the county’s HOME program, which supports affordable housing throughout the county.

The CDBG Entitlement Program is authorized under Title 1 of the Housing and Community Development Act of 1974, Public Law 93-383, as amended; 42 U.S.C. 5301 et seq.

In order for a local jurisdiction to be entitled to receive CDBG funds, they must have populations of at least 50,000, based on population data provided by the U.S. Census Bureau. According to the Census Bureau’s annual population estimates, Tigard’s population in 2017 was 53,148, which would qualify the City for CDBG Entitlement.50

HUD determines the amount of each entitlement grantee’s annual funding allocation by a statutory dual formula which uses several objective measures of community needs, including the extent of poverty, population, housing overcrowding, age of housing and population growth lag in relationship to other metropolitan areas.51

The HOME program is authorized under the National Affordable Housing Act of 1990 (P.L. 101-625).

Similar to CDBG Entitlement, the HOME program uses a formula to determine funding allocation, as well as eligibility for local jurisdictions. The formula allocation considers the relative inadequacy of each jurisdiction’s housing supply, its incidence of poverty, its fiscal distress, and other factors. If eligible under the formula, local jurisdictions are allocated at least $500,000 ($335,000 in years when Congress appropriates less than $1.5 billion for HOME). Federal regulations require that every jurisdiction that receives funds must provide 25 cents on their own for every HOME dollar used. Additional special conditions also apply.

Currently, Tigard receives federal funding indirectly through Washington County, which has been a CDBG Entitlement Community since 1979 and receives a direct allocation of CDBG funds annually. Washington County administers funds throughout the County, except in the Cities of Beaverton and Hillsboro, each of which runs its own CDBG program. The Washington County CDBG Consortium consists of all remaining municipalities in the county, including the City of Tigard, which are signatories to the Urban County Intergovernmental Cooperation Agreement.

Beaverton became an Entitlement Community and established its own program in 1994; since then, the City has expended approximately $11.5 million to assist low- and moderate-income residents and revitalize areas of the city.52 Hillsboro only recently became an Entitlement Community in 2018. Prior to that, it received an allocated set aside from Washington County’s annual CDBG funds. Although the cities run their own programs, Beaverton and Hillsboro are still part of the Washington County Consortium, and conduct joint planning under the Washington County Consolidated Plan.
The City of Beaverton provides its CDBG services through vetted nonprofits using an annual funding process, which is guided by the Washington County Consolidated Plan. The Consolidated Plan provides Beaverton residents and others the opportunity to weigh in on eligible activities recommended by staff based on needs research. Beaverton spends its CDBG funds on homeless shelters/services, homeless prevention, youth and family programs, other public services, lowering the cost of homeownership, critical needs housing repair, small business development, and from time to time infrastructure and public facility development/improvement.53

The City of Hillsboro uses its CDBG funds to improve or provide facilities such as parks, senior centers, shelter and health facilities, and group homes, which benefit eligible neighborhoods or populations.

Other Entitlement Cities in Oregon include: Albany, Ashland, Bend, Corvallis, Eugene, Gresham, Medford, Portland, Redmond, Salem, and Springfield.

The only cities in Oregon that are Partner Jurisdictions in the HOME program are Corvallis, Eugene, Portland, and Salem.

**Opportunities and Constraints**

- Becoming CDBG Entitled or joining the HOME program would likely allow the City to meet specific needs that are not currently being met by the county consortium.
- As noted above, CDBG funds cannot be used directly to construct affordable housing. Unless it becomes a Participating Jurisdiction in the HOME program, the City of Tigard would rely on the Washington County’s HOME funds to fund affordable housing using federal funds.
- There is a significant amount of planning and reporting required to meet federal grant requirements for both CDBG Entitlement and HOME programs. Cities often have one or more full-time staff members dedicated to coordinating with HUD and community partners, and developing and administering specific programs or strategies. For the CDBG program, up to 20 percent of each year’s CDBG grant, plus program income, can be used for planning and administrative cost; for the HOME program, the limit is 10 percent. However, Beaverton and Gresham indicated that they need to subsidize their programs with general fund revenues because the costs to administer the programs exceed the HUD revenues available to operate them.
- Funding thresholds for specific programs funded by HUD as part of the CDBG program vary by the size of entitlement communities. In many cases, the maximum amount of money available for projects in Tigard would be lower than for the County as a whole. This could limit the size of HUD-funded projects that would be undertaken in Tigard to some degree. In addition, resources for entitlement communities have decreased over the last 20 years. In 2017, City of Beaverton staff noted that small entitlement jurisdictions (close to 50,000 population) currently receive about $200,000 per year, compared to over $400,000 received by Beaverton when it became an entitlement community. Beaverton staff question whether this current level of resources, coupled with associated administrative responsibilities and costs, would lead to a cost-effective decision to become an entitlement jurisdiction for a city the size of Tigard.

**Options and Alternatives**

Following are the primary options available to the City of Tigard regarding HUD funding programs:

- Remain part of the Washington County Consortium, and work with the County to determine which types of programs and activities will be implemented in Tigard through a joint CDBG block grant agreement and set aside (similar to Hillsboro’s approach prior to forming its own program).
- Apply to become a separate CDBG Entitlement Community. This would give the City more flexibility in implementing and tailoring programs more specific to local housing needs.
Other Funding Strategies

The following funding sources are either already in place in the City of Tigard, or have been used by other jurisdictions but were not requested by the City to be included in this report. As such, these tools are described briefly.

**Tax Increment Financing Set Aside**

The City of Tigard already uses urban renewal funding to construct public improvements that act as incentives for private sector residential development and to augment the costs of selected residential development projects. Tigard has two Urban Renewal Areas (URA): The City Center URA and Tigard Triangle URA. As indicated in the SW Corridor Equitable Housing Strategy Report, Tigard is considering a Tigard Triangle URA set aside for market rate and affordable housing. The City has already begun work on the Tigard Triangle Equitable Urban Renewal Implementation project, which will prioritize urban renewal plan projects in 2018-19.

**General Obligation Bond (not included in Draft AHP)**

General Obligation (GO) bonds provide a stable, dedicated revenue source through increased property tax rates. On November 6, 2018, Metro-area voters approved a $652.8 million regional general obligation bond, with the goal of creating affordable housing for approximately 12,000 people in the greater Portland region. Tigard will likely see affordable housing development from the Metro bond, though funds will be channeled through the Housing Authority of Washington County (HACW). In 2016, the City of Portland also passed its own $258 million GO bond for affordable housing. The City of Tigard could consider a similar local bond; however, it may not receive sufficient voter approval, given the recently-passed Metro bond, and would be a significant
undertaking. A more strategic path could be to gain initial experience with implementation of the regional bond, prior to further consideration of a local housing bond.

**Local Option Levy (not included in Draft AHP)**

A local option levy is a commonly-used public funding mechanism, though it is less frequently used for affordable housing. A local option levy could be used by the City of Tigard or Washington County to raise funds for affordable housing. Subject to voter approval, this tool would tax homes at a specific rate and set those funds aside for affordable housing preservation, new development, or programmatic support. Washington County has considered a five-year local option levy to expand access to stable housing for low-income residents. However, County polling indicated that the levy had insufficient voter support, and as of 2017 the County has chosen not to pursue it further. Vancouver, Washington presents an example of a local option levy for affordable housing; voters passed the $42 million levy in 2016. This tool was not included in the preliminary list of strategies provided by the City. While it could be assessed further, preliminary City staff recommendations are that it not be assessed further.

**Existing General Fund Revenue (not included in Draft AHP)**

The City could potentially commit additional revenue from its general fund toward creating affordable housing. These funds would be fairly flexible in how they could be spent. However, taking more from the general fund means taking it away from other City services or investments.

**Section 2. Tools that Remove Development Barriers**

*(Note: these were addressed in Part 1 of the Draft AHP)*

<table>
<thead>
<tr>
<th><strong>4. System Development Charge (SDC) Exemptions, Reductions, or Deferrals</strong></th>
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<tbody>
<tr>
<td><strong>Description</strong> System Development Charge (SDC) exemption is a tool used to reduce, waive, defer, finance, or subsidize SDCs for affordable housing developments, with the goal of reducing the cost of development.</td>
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Policy-based reductions, waivers, or exemptions that do not have a basis in reduced impacts or costs are not explicitly addressed in Oregon’s SDC laws, and local jurisdictions have taken a range of approaches to navigating this ambiguity. Recent state legislation enabling inclusionary zoning (Senate Bill 1533) identifies SDC and permit fee reductions or waivers as incentives that may be offered to development impacted by an inclusionary zoning requirement. While SB 1533 does not include further discussion on SDC or permit fee waivers or reductions for affordable housing generally, it has been interpreted by some as authorizing SDC reductions or exemptions for affordable multifamily development. As described below, several cities in Oregon choose to exempt certain classes of development (including regulated affordable housing) from SDC requirements.

Opportunities and Constraints

- There may be legal limitations of the City’s ability to waive or reduce SDCs and there are specific requirements for how to implement an SDC fee reduction.
- SDC methodology statues are complicated and must be carefully considered with the creation of such program.
- The City’s SDC fees are only a portion of the total SDC fees development pays when developing in the city. Therefore, there is a limit to how much of an exemption, waiver or reduction can be allowed by the City, unless the partner with other organizations.

Usage in Tigard or Other Cities

Sources of Tigard’s SDC fees include Washington County, Tigard Transportation, Tigard Parks, Clean Water Services, Tigard Water Service Area, School Districts, and Metro. Tigard adopted SDC exemptions in March 2018, which exempt regulated affordable housing from the City’s Transportation and Park SDCs. To qualify for the program, the regulated affordable housing must: have a public compliance agreement or contract, be for households at or below 80 percent AMI, and keep units affordable for a minimum of 20 years.

Several Oregon cities have implemented various types of SDC exemptions or fee reductions for affordable housing, a few examples include Portland, Eugene, McMinnville, Sisters, Bend (ADU’s only) and Ashland. Some cities backfill lost SDCs from other budget items or revenue sources while others do not. Detailed descriptions of some of the listed examples are below.

The City of Eugene program provides SDC exemptions for affordable housing. Housing for low-income persons in Eugene is exempt from paying SDCs otherwise required by City code. The exemption is used in combination with other resources for larger multifamily rental developments, but can also be used for small rental developments, and low-income single-family homeownership development. The exemption is available to rental housing developments for households with incomes of 60 percent of AMI, and for homeownership developments for households with incomes of 80 percent of AMI. The affordability requirement must be met for a period of five years. The City manager (or designee) can exempt a base amount of the SDC exemption that is adjusted on an annual basis. Any unallocated amount below that limit can be carried forward to the next fiscal year. Fee waivers are covered by $150,000 annual transfer from General Fund. The City also notes that the SDC exemption can also be counted toward the required local match for state and federal funds provided to a development. In 2016, the City of Eugene exempted $1.4 million, which was awarded through an RFP process. The program has primarily been used by large residential developers and Habitat for Humanity. If the property ceases to be used for low-income housing within 5 years of being granted the exemption, the amount of the exemption must be repaid with interest.

The City of Portland provides SDC exemptions for affordable housing. Portland’s
**Affordable Housing Plan**

**Appendix A - 8**

**SDC Exemption Program**

Program exempts developers of qualifying affordable housing projects from paying SDCs levied by the City of Portland for transportation, water, parks and environmental services. Eligible rental projects must serve households earning at or below 60% of the AMI for a 60-year period. Exemptions can be prorated for mixed use or mixed-income developments. Eligible homeownership projects must serve households at or below 100% of the AMI for a family of four and must sell for less than a price cap provided by City Code (2017 price cap is $350,000); sales must be “arm’s length” transactions; and units must not be rented. Exemptions are awarded on an application basis; applications are submitted with building permits. The Portland Housing Bureau administers and monitors the program, including compliance with regulatory agreements. The SDC exemptions were first adopted in 1997-1999. Roughly 400-500 units per year were granted Transportation SDC exemptions in the first five years of the program, with an average value of over $290,000 per year. Exemptions for water and parks averaged over $210,000 and nearly $280,000, respectively, per fiscal year in the first few years of those programs.

In June 2018, City of Portland also extended its SDC exemption program for ADUs. In exchange, owners must sign a covenant stating that neither the ADU nor the primary house will be rented as accessory short-term rentals for 10 years.

**Options and Alternatives**

The City could consider applying SDC waivers, exemption, or reductions to ADUs and other forms of missing middle housing, in order to increase the supply of lower-cost housing in the city.

There is typically a limit to reductions, exemptions, or waivers of SDC fees because there are several sources of SDC fees, including city, county, and special districts. Cities only have control of a portion of the SDCs, which can limit the efficacy of the incentive. The City could consider partnering with other organizations that charge SDCs in the city, which could make the incentives more effective. However, negotiating an agreement with these partner organizations may prove challenging. SDC reduction and deferral are broadly used in Oregon and may be more politically acceptable than SDC waivers since the revenue is deferred, not forgone.

There are many statutory requirements of SDCs; it is important that any provision of SDC reductions or waivers follow statutory requirements for the process of changing SDC methodology and for the provisions of the reductions or waivers.

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**5. Development Fee Reductions**

**Description**

Development fee reduction is a tool to reduce, waive, or defer development fees, such as permit fees, in order to promote the development of affordable housing. Permit fees add cost to a development, so reducing these costs also reduces development barriers.

**Legal Basis**

Local development fees (besides system development charges, discussed below) are not regulated by state law.

**Usage in Tigard or Other Cities**

The City of Tigard currently does not have any development/permit fee reduction programs in place for affordable housing. Examples from neighboring cities include the following:
**City of Portland:** Portland offers permit fee waivers to nonprofits for projects which provide/develop housing for low-income groups (including emergency shelters). The Bureau of Development Services (BDS) waives 100% of bureau permit fees for projects costing up to $500 and 50% of fees for projects costing over $500, subject to application approval. There is a maximum amount of $5,000 waived for each nonprofit each fiscal year.60

**City of Wilsonville:** The City allows waivers of building, planning, and engineering permit fees for affordable housing projects. The granting of the waiver and amount is determined by the City Manager or manager’s designee. Some eligibility requirements require the development be a project of a nonprofit or government organization, it must serve households at or below 60 percent AMI and must maintain that status for a minimum of 40 years.61

**Opportunities and Constraints**

Once program guidelines are in place, a development fee reduction program would be relatively easy to administer. At the same time, there is a cost to the City to reduce or waive development fees, as these fees are intended to recover costs for staff review. However, permit fees add relatively little to development costs on a per-unit basis; therefore, reducing fees may not provide a sufficient incentive to developers.

**Options and Alternatives**

Development fee reductions can be implemented with varying standards, and the City could either waive, reduce, or defer development fees. Fees can be reduced from various departments (e.g., building permits and land use permits). The amount of fee reduction would depend on a careful calculation of impact to developers versus impact to City revenues. The City will need to determine how much revenue from fees it would be willing to forgo.

**Implementation Needs**

The implementation of a development fee reduction program would require the City to development program policies, promote, and administer the program.

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### 6. Tax Abatements

**Description**

Tax abatements are reductions in property taxes for affordable housing. Abatements may be provided to nonprofit corporations or to private developers in exchange for developing affordable housing. Property tax exemptions/freezes can also be applied to housing in distressed areas, or for rehabilitated housing. Common tax abatement programs include vertical housing programs that provide property tax exemptions for development that reaches a certain height, and multifamily housing tax exemptions.

**Legal Basis**

The state currently enables tax exemptions through three programs: (1) Vertical Housing (ORS 307.841 to 307.867), (2) Multiple Unit Housing (ORS 307.600 to 307.637), and (3) Nonprofit Low-income Housing (ORS 307.540 to 307.548). In 2017, two bills passed the Oregon legislature that have implications for cities considering new abatements:

- **HB 2377 Property Tax Exemption for Rehabilitated or Constructed Multi-Unit Rental**
  - This bill updates the previous property tax exemption law and allows optional property tax abatement programs for up to 10 years that cities can use to incentivize workforce or low-income units (up to 120% AMI) in multifamily developments and rehabilitation projects.62

- **SB 310 Vertical Housing Development Zones**
  - With this legislation, the state shifted oversight of the Vertical Housing program from state control to local government. The requirements are now in state statutes and remain a partial
property tax exemption for residential floors above the base floor, depending on the number of floors. Through a competitive process, multi-unit projects can receive a property tax exemption for up to ten years on structural improvements to the property in exchange for setting aside a percentage of the units in the project as affordable.

**Usage in Tigard or Other Cities**

**Tigard.** The City of Tigard has already implemented several programs that address the affordability and availability of housing through tax abatements. They include the following:

**Nonprofit Corporation Low Income Housing Tax Exemption.** This program is a partnership with Tigard/Tualatin School District and Tualatin Valley Fire & Rescue to provide tax exemptions for low-income housing owned by nonprofit organizations. The Nonprofit Corporation Low Income Housing Tax Exemption program was first adopted in 1996; as of 2017, a total of five projects using the exemption have been completed by Community Partners for Affordable Housing. The 2013 Housing Strategies Report suggested the program could be expanded to offer the program to private sector developers if they meet all the same requirements the nonprofits are required to meet.

**Vertical Housing Development Zone (VHDZ).** The City of Tigard’s VHDZ provides partial property tax exemptions of 20 percent per floor in the two eligible areas established by the City that are well positioned for mixed-use multistory development. Since Senate Bill 310 has shifted administration of the program from the state to cities and counties, Tigard’s Economic Development Director now administers the program.

Additional examples from other cities include:

**City of Beaverton Affordable Housing Tax Exemption Program.** The program promotes the construction of affordable rental housing to low-income households to receive an exemption of up to 100 percent of property taxes for an unlimited timeline. The focus of the program is households that earn less than 60 percent of the area median income.

**City of Seattle Multifamily Tax Exemption.** The program provides a tax exemption on new multifamily buildings that set aside at least 20 percent of the units as income- and rent-restricted (0 – 80% AMI) in targeted areas. Currently, the program maximum is 12 years. In 2017, 31 projects were approved for the exemption. According to Metro, the program, which is simple, predictable, and streamlined, can serve as a model for other jurisdictions.

**Opportunities and Constraints**

There is a cost to the City and other taxing jurisdictions to reduce property tax income. The City and partner jurisdictions must be willing to forego those revenues. The City should consider the extent to which a new program, or enhancement of an existing program, can be supported based on the City’s funding needs.

**Options and Alternatives**

There are various types of tax abatement programs/policies for affordable housing as discussed above, each of which can have varying provisions, eligibility requirements, and durations. As discussed above, programs can be offered only to nonprofit organizations or also to private developers.

One option would be for the City of Tigard to expand its current low income housing tax exemption program to make it available to for-profit developers as well as nonprofits. The exemption could also be offered for properties that are held for the purpose of developing low-income housing (i.e., land banked), in addition to occupied properties. Tigard could also consider taking advantage of multi-unit tax exemptions in downtown and transit areas, exemptions for distressed units, or property tax freezes for distressed areas, each of which is enabled by state statutes.
Implementation Needs

The City should assess their current programs to see if they can be more effective and/or expanded. New programs require the City to development of program policies, promotion, and administration of the program.

7. Addressing Restrictive CC&Rs

Another type of potential barrier to development of affordable and alternative forms of housing identified by City and DLCD staff is the presence of Covenants, Conditions, and Restrictions (CC&Rs) imposed by Homeowners Associations. Such CC&Rs can restrict the size, design and appearance of homes within a given neighborhood and place limitations on the ability to develop accessory dwelling units or other forms of housing discussed in this document. Specific strategies to address the impacts of CC&Rs will be discussed in the Draft Affordable Housing Plan document.
Section 3. Tools to Develop or Preserve Affordable Housing
(Note: Strategies 8 - 10 were addressed in Part 2(A) of the Draft AHP)

8. Inclusionary Zoning (IZ)

Description
Inclusionary zoning (IZ) (sometimes known as inclusionary housing) is a tool used to produce affordable housing for low- to moderate-income households within new market-rate residential developments. Typically, IZ is implemented through an ordinance with mandatory requirements that a minimum percentage of a new development’s total units be designated as affordable, and that these units remain affordable for a set period of time, usually between 10 and 20 years. Often, this ordinance applies only to developments with a minimum number of units. Another option is to establish a voluntary inclusionary zoning program with density and/or height bonuses, or reduced parking requirements, as an incentive to reduce the land costs associated with providing affordable units. This strategy is often referred to as “incentive zoning” and is discussed below as housing strategy #4.

Legal Basis
Inclusionary zoning was prohibited in Oregon between 1999 and 2016, until legislation was passed in 2016 by Senate Bill 1533, which allowed jurisdictions to adopt inclusionary zoning. However, this legislation came with a number of limitations that are being regarded by affordable housing providers and advocates as making the strategy challenging to implement in most small- and medium-sized jurisdictions in the state. Per state statute, the requirements may only be applied to multifamily housing developments of 20 units or more. In addition, jurisdictions must provide “finance-based incentives” (e.g., property tax exemptions, fee waivers, development bonuses) to offset the cost of providing affordable units, but in an undetermined amount. Cities must also provide developers with the option to pay a “fee in lieu” instead of providing affordable units. Further, cities may also establish a local excise tax to help fund the inclusionary zoning program but are not required to do so.

These provisions required by the legislature are expected to limit the applicability and extent of the application of inclusionary zoning programs and result in administrative and financial hurdles to implementation, particularly for smaller communities. Relatively few communities are expected to have the financial and administrative resources to establish inclusionary zoning programs.

Usage in Tigard or Other Cities
Tigard currently does not have an inclusionary zoning program. Since Senate Bill 1533 was passed in 2016, Portland is the only city in Oregon to pass inclusionary zoning regulations. Examples can be found in neighboring states: several major cities in California (Los Angeles and San Jose) and Seattle recently passed IZ regulations in 2017.

Portland Inclusionary Housing Program. The City of Portland requires new multi-dwelling development with more than 20 dwelling units to be affordable at 80% median family income (MFI), or pay a fee in lieu. Density bonuses (FAR/height bonuses) and alternative fee-in-lieu are the bonus provisions provided to offset the cost of required affordable housing units. The policy is expected to produce an average of 382 new affordable units per year over 20 years, assuming the city lives up to the housing forecast outlined in its comprehensive plan. IZ policies took effect in parts of the city in 2017, and the final code amendments were implemented in 2018. An early analysis of the program by the Portland Housing Bureau found that as of September 2018, the program has resulted in 291 rent-restricted units (not yet constructed) in 33 private, for-profit developments.
Opportunities and Constraints

- Mandatory inclusionary zoning can affect development feasibility and land values. Incentives and requirements must be carefully balanced so as not to inhibit housing production.
- Inclusionary zoning requires close administrative oversight to ensure the mandatory units are properly built and maintained. Further, administration of fee-in-lieu funds to additional affordable housing units is required.
- Inclusionary zoning programs typically create a fraction of the needed affordable housing units and their efficacy at producing affordable housing units fluctuates over extended periods of time.

Options and Alternatives

Inclusionary programs can be mandatory or voluntary. Mandatory IZ is expected to produce more units, while the voluntary approach (sometimes known as “incentive zoning,” which is discussed below) may avoid some of the pitfalls of a mandated approach. The requirements of IZ should be balanced with flexibility and responsiveness to local market dynamics.

Implementation Needs

Implementation of IZ requires time to develop the program and policies. Additionally, it is suggested that IZ be implemented through a phased approach to reduce associated impacts on property values.

The following actions are recommended to assess the feasibility of an inclusionary zoning program:

- Identify the approximate benefits of establishing a set of IZ provisions based on the expected number of developments that would be subject to the standards and the approximate number of resulting new units.
- Estimate the cost of establishing and administering the non-code based elements of an IZ program, including a fee-in-lieu program and other finance-based incentives.
- Determine if the expected benefits outweigh the costs of establishing IZ program.
- If the costs outweigh the benefits and the City decides to move forward with the program, establish needed code requirements and other administrative and financial procedures and protocols needed for implementation.

9. Preservation of Low Cost Market Rate Housing (LCMR)

Description

Low cost market rate (LCMR) housing refers to housing with rents that fall below the average rents for an area, but which are not income-restricted or regulated by or through an agreement with a government agency. It can also be referred to as “naturally occurring affordable housing” or “filtered housing.” There are a number of reasons LCMR housing is affordable: properties may be poorly maintained; located in areas with poor economic growth, aging infrastructure, or a lack of investment; or simply located in less affluent neighborhoods.

Many LCMR housing units are at risk of losing their affordability as property values increase. There are several tools that are aimed at preserving LCMR housing. These include providing funds or incentives to LCMR owners to make renovations and maintain the units at an affordable price point; providing property tax exemptions in exchange for converting LCMR housing to regulated affordable housing; and acquiring LCMR buildings and converting them to regulated housing. Funding sources for such programs can include subsidy programs, creating community investment corporations (CIC), housing preservation funds, grant programs, or providing tax incentives for preservation.
Incentive-based programs can include grants or loans for capital repairs or for recapitalization to avoid LCMR property owners from selling or losing their LCMR status. For unregulated LCMR units, the grants or loans would be made in exchange for agreements to rent below market rate for a specific period of time. Specific mechanism include low-interest loans, deferred payment or interest only loans, or grants to help bridge funds for rehab projects.

Legal Basis

N/A

Usage in Tigard or Other Cities

While there are no current efforts in Tigard directly related to the preservation of LCMR housing, preservation of existing affordable rental housing is one of the strategies identified in the SW Corridor Equitable Housing Strategy. Recommendations from that report are discussed below.

Network for Oregon Affordable Housing (NOAH) operates the Oregon Housing Preservation Project (OHPP), which includes the Oregon Housing Acquisition Fund (OHAF) and preservation loans for affordable housing. The OHAF provides short term financing for entities looking to preserve affordable housing by offering acquisition loans with favorable terms to help borrowers acquire unregulated market rate properties and transition them to regulated affordable housing. OHPP's preservation loans help qualified borrowers purchase and rehabilitate housing, renew subsidy contracts, obtain bridge financing, or otherwise preserve multifamily affordable housing properties. Whether borrowers are for-profit or nonprofit, buying unregulated or regulated properties, this funding provides time and resources to align public subsidies and obtain long-term or construction financing, to then operate properties with long term rent restrictions. The OHPP prioritizes preserving properties that are at risk of losing federal subsidies.

NOAH’s loan programs are supported by public partners, such as the City of Portland, Oregon Housing and Community Services, Fannie Mae, and CDFI funds, private foundations, and private banks. Its preservation pool totals $35 million, and has been used to support more than 725 units at 22 properties.

There are other examples of programs and policies to preserve LCMR housing around the country. One example program being implemented in Minnesota is described below.

Greater Minnesota Housing Fund - NOAH Impact Fund is a social impact fund in the Minneapolis-St. Paul region that connects developers and owner-operators with social impact investors to preserve low cost market rate housing. The fund offers a double-bottom line impact to investors in the form of social impact and return on equity, with the goal of investor repayment in ten years. Since the fund’s inception in 2015, it has leveraged $25 million in capital investments to invest $100 million in property acquisitions to preserve 1,000 at-risk unregulated affordable housing units in the Twin Cities area. The fund acquires and rehabilitates these unregulated affordable housing properties (Class B and C properties, from 40 to 200 units), and partners with local affordable housing organizations to operate them with 15-year affordability restrictions. The capital stack includes money from the public sector, institutional funds from banks (with CRA requirements), nonprofit and for-profit investment companies, and mission-based lenders.71

Opportunities and Constraints

- With established funds such as NOAH’s OHAF or the Greater Minnesota Housing Fund, owner-operators and developers can use them to move quickly in the market, with lower risks due to the effect of the more patient capital from social impact investors.
- LCMR buildings may need to be brought up to health and safety standards required in the building codes.
• NOAH relies on support from philanthropic foundations for its capital stack, and is therefore vulnerable when the philanthropic support is removed.73

**Options and Alternatives**

Potential roles for the City of Tigard include seeding and supporting a fund with a partner organization, acting as a guarantor on loans to reduce borrowing costs, or actively managing and administering a fund. The SW Corridor Equitable Housing Strategy recommends capitalizing NOAH’s OHAF; working with funding partners to incorporate the policy goals for acquisition into their funding criteria and explore joint NOFAs and underwriting processes; continuing to fund community-based organizations to engage tenants and participate in the selection of buildings for acquisition; and contracting with brokers to solicit acquisition opportunities.

**Implementation Needs**

Programmatic strategies to preserve LCMR housing would require the City to be program-lead or create partnership with a local organization. Both require funding, development of policies and program structure, and administration of the programs. Future monitoring of compliance is also a consideration for implementation.

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**10. Tenant Protections**

**Description**

Tenant protections include local regulations and enforcement programs that provide protections for tenants of existing affordable housing and low cost market rate housing against evictions, excessive rent increases, discrimination, and health and safety violations. Tenant protections can also provide various types of assistance to renters. The purpose of these protections is help tenants of affordable units to access and retain their housing, particularly for very low-income and other vulnerable community members.

**Legal Basis**

There are extensive statewide landlord-tenant laws on the books in Oregon. These include the Oregon State Residential Landlord and Tenant Act (ORS § 90.100-90.875) and Fair Housing Laws including, but not limited to, the Fair Housing Act (42 U.S.C. 3601) and Oregon’s Unlawful Discrimination in Real Property. Rent control is prohibited by Oregon State Law, but cities are permitted to provide provisions that go beyond current state law for policies such as landlord registration, rental inspections, and notice period for no-cause evictions. In addition, cities can also limit the circumstances under which owners are allowed to convert rental units to condominiums, either by requiring that tenants be offered the first right of refusal to purchase their units, by charging the owner a fee for converting the building, or by requiring or incentivizing owners to set aside a certain percentage of units in converted buildings as affordable units. Tenant protection laws are not enforced, with the exception of civil rights violations, unless cities choose to enforce, which requires local regulations to enforce74.

The City of Portland’s Renter Relocation Assistance Program (discussed below) was challenged in court on the basis that the program is a violation of Contract Clause, Article I, Section 21, of the Oregon Constitution.75 The court ruled in favor of the City of Portland.

**Usage in Tigard or Other Cities**

Currently, Tigard does not have any landlord-tenant programs or provisions that go beyond state regulations. As the deficit of affordable housing grows and housing prices increase, Oregon cities have started to implement their own policies to protect residents. Tenant protection policies proposed in the SW Corridor Equitable Housing Strategy Report include screening criteria reform, security deposit reform, and application fee protections. Milwaukie, Portland, Vancouver (WA), and Bend all have 90-day notice requirement for no-cause evictions. Other cities are implementing other tenant
Protection policies as well; a few case studies are detailed below.

**Gresham Rental Housing Inspections.** The City of Gresham conducts random, mandatory inspections of residential rental properties throughout the year to ensure properties meet minimum fire, health, and life safety standards. The program also includes inspections based on complaints and provides protection for those reporting violations. In 2010 the program completed at least 1,800 inspections which resulted in one or more violation.

**Portland Residential No-Cause Eviction Notices.** The City of Portland requires 90-day notice of no-cause eviction, which is higher than the typical 30- or 60-day notice.

**Portland Mandatory Renter Relocation Assistance.** A City of Portland Ordinance passed in 2017 requires landlords to pay relocation assistance when their tenants: are served a no-cause eviction or a rent increase of 10 percent or higher over a 12-month period; receive a substantial change in their lease terms; or do not receive the option to renew their lease. The mandate applies to rental units in the City that are managed by a landlord or property management company, and some exception criteria apply. The relocation assistance amount ranges from $2,900 for a studio to $4,500 for 3+ bedrooms.

**Salem Multifamily Housing License.** All multifamily dwelling units with one or more beds or rooms for rent are required to sign up for an annual license. All licensed multifamily units are required to be inspected at least once every five years to ensure compliance with the Salem Housing Code.

Landlords are typically not in favor of tenant protection policies, and there may be pushback from the property management and development community. Protection programs are likely to be associated with increased administrative needs and costs for program enforcement.

There are various types of tenant protection regulations and programs that cities can regulate. Examples include the following:

- **Reform notice period for no-cause evictions** – Increase no-cause eviction notices to require 90-days notice.
- **Landlord/Rental registration program** – Require landlord registration to help track and coordinate anti-displacement services.
- **Mandatory residential rentals inspection program** – Require residential rental unit inspections to ensure they meet fire, health, and safety standards. Can require more frequent inspections for multifamily or affordable housing units.
- **Application fee protections** - Enforce the requirement that landlords return application fees when applications are not processed.
- **Screening criteria reform** – Eliminate the practice of landlords requiring 3 to 1 income to rent ratios.
- **Security deposit reform** – Cap security deposits and protect them from being taken unfairly.

Tenant protection policies would necessitate adoption of a new City ordinance. The City would lead these programs, which require the resources to create the policies, administer programs, and enforce the policies. Some policies could be implemented as partnerships with housing organizations or regional jurisdictions.
# 11. Incentive Zoning

## Description

Incentive zoning is a tool that creates incentives to developers to provide a community benefit (such as affordable housing), in exchange for ability to build a project that would not otherwise be allowed by the development code. The purpose of incentive zoning is to encourage development of affordable housing and to increase its financial feasibility. A few of the most common types of incentive zoning are detailed below.

**Density and/or Height Bonuses**

Density and height bonuses are the most common types of incentive zoning, and allow increased density or height for affordable housing, or for housing types that tend to be lower cost (e.g., cottage homes, duplexes/triplexes, etc.). This is done by increasing the allowable height or floor area of a project above what is otherwise permitted in the zoning district, or by increasing the allowable number of dwelling units in a residential development. Additionally, setback and bulk standards may be allowed to vary to accommodate the added density or to reduce development costs. Encouraging the development of affordable housing by offering density and/or height bonuses can work in areas where demand is constrained by zoning requirements. It can also potentially act as an incentive to build specific types of housing that are needed or desired in specific areas. To ensure rental units remain affordable, private deed restrictions could be used to preserve affordable status of rental units for a set period of time (e.g. 30 years or longer) and require renters to meet income-qualifications.

**Reduction of Parking Requirements**

Parking is often a limiting factor in multifamily development, because it can add to construction costs and limit the amount of housing units that can be constructed on a site. Parking reduction incentives can be applied separately or in conjunction with density or height bonuses. Parking reductions targeted at affordable housing projects are typically applied within a certain distance of transit services, so that alternate transportation options are accessible for tenants that do not own vehicles.

Though density and height bonuses and reduced parking requirements are the most common, other regulatory incentives for affordable housing are possible, such as relief from design or development standards or relief from mixed-use requirements. An example of the former is provided below.

## Legal Basis

Incentive zoning ordinances for affordable housing have existed in the United States since the 1960s. In Oregon, density bonuses are listed in the Oregon Revised Statutes as one of the actions and measures that could be adopted by local jurisdictions to increase the likelihood of higher density residential development and to provide needed housing, as required by state law. Adoption of an average residential density standard is also included among the suggested actions or measures.\(^7\)

## Usage in Tigard or Other Cities

Density/height bonuses is a strategy suggested in the 2013 City of Tigard Housing Strategies Report. According to the report, residential developers in Tigard appear to find the standard height and density requirements adequate to build their projects. Currently, there seems to be little or no demand for height and/or density bonuses, and in some zones achieving the minimum densities may actually be more of a concern to developers than exceeding the maximums. Project advisory committee members for the 2013 project noted that while the current market conditions do not suggest a significant demand for density or height bonuses, there may be some types of projects that would benefit, and changing demographics could lead to further interest in these incentives in
With the City’s recently-adopted package of “missing middle” code amendments, Tigard also included parking reductions (of 50% if units are within one-half mile of transit) and on-street parking credits in the R-3.5 to R-12 zones. Though these are not incentives for regulated affordable housing, they do provide incentives for smaller, more affordable housing types.

Numerous cities in Oregon have adopted density and/or height bonuses and parking reductions for multifamily and/or affordable housing. In the Portland region, Forest Grove, Portland, and Newberg are a few examples of cities that provide density bonuses for affordable housing. Additionally, the City of Wilsonville provides parking reductions for affordable housing. Washington County also recently adopted similar code amendments. Recent code amendments in North Bethany, Washington County and Hillsboro provide good examples of density bonus code language. Examples of programs from Oregon and Washington cities are detailed below.

**City of Ashland Affordable Housing Density Bonus.** Affordable housing projects meeting eligibility requirements (including rental housing affordable to households at or below 60% of AMI or ownership housing affordable to households at or below 80% of AMI for a minimum of 30 years) receive a density bonus of two units for each affordable housing unit provided, up to a maximum of a 35% increase in density.\(^7^8\)

**Kirkland, WA Duplex, Triplex, and Cottage Home Density Bonuses.** Cottage homes (limited to 1,500 square feet of floor area) and two- and three-unit homes (up to 1,000 square feet of floor area average per unit) are allowed at double the density of detached dwelling units in the underlying zone.\(^7^9\)

**City of Bend Parking Reductions for Affordable Housing and Transit Proximity.** Required parking for affordable housing units is 1 space per unit regardless of size. This is compared to 1 space per studio or 1-bedroom unit, 1.5 spaces per 2-bedroom unit, and 2 spaces per 3- or more bedroom unit for market-rate multifamily development; or 2 spaces per market rate detached dwelling unit. Affordable housing units must meet the same eligibility criteria as for other City of Bend affordable housing incentives (rental units affordable to households at or below 60% of AMI, ownership units affordable to households at or below 80% of AMI, etc.). Bend also offers a 10% reduction in required parking for developments (except single family homes) within 660 feet of a transit route, which can be applied in addition to the affordable housing reduction.\(^8^0\)

**Pierce County, WA Alternative Development Standards.** Pierce County offers a range of regulatory incentives for affordable housing developments. In addition to increased density and reduced parking, the County also offers relief from several development standards, including reduced active recreation requirements, reduced minimum lot area and width, reduced design requirements for infill construction, and relief from building orientation standards. Most of these alternate development standards require that at least 20% of the units provided are affordable at 80% of AMI.\(^8^1\)

Incentive zoning ordinances must have strong enough incentives to promote the building of affordable units. To avoid unintended consequences and to ensure utilization, incentive zoning tools should be supported by an analysis of market sensitivity and updated regularly to reflect changing market dynamics; rolling applications can make the program more attractive to private developers.

**Density/ Height Bonuses** – Allowing a density bonus is likely to be valuable to developers who are seeking to build affordable or mixed-income housing in zones where development at a higher density is feasible given other regulations and cost factors.
However, if the density bonus does not allow for development of more market-rate units than would otherwise be possible on the site, it would not provide a true incentive to market-rate housing developers.

Parking Reductions – To offset the loss of parking through the parking reduction incentives, the incentives are often only offered within an accessible distance from transit services, therefore limiting the applicability of the incentive program. Additionally, some cities allow parking reductions for various types of development in transit accessible areas, not just for affordable housing, which can decrease the effectiveness of incentivizing affordable housing.

Options and Alternatives

There are many variations of the provisions and eligibility requirements of parking reductions and density and/or height bonuses in various cities. Options include the amount of additional height, FAR, or residential density available; the amount of parking reduction offered; and the targeted income levels for affordable units.

Implementation Needs

Incentive zoning would be a City-led program which would require amendments to the Tigard Community Development Code (CDC). The City would have to draft provisions, eligibility requirements, etc. The City may greatly benefit by implementing parking reductions (with provision to allow a set distance from transit) in preparation for the construction of the Southwest Corridor Light Rail Line.

12. Public-Private Partnerships (PPPs) (not included in draft AHP)

Description

Public-private partnerships are arrangements between public and private entities to create more and/or affordable housing. Public-private partnerships can promote a variety of affordable housing programs or projects and include partnerships from multiple entities (public, private, and nonprofit).

Legal Basis

Senate Bill 1582, passed in 2016, created the Local Innovation and Fast Track (LIFT) Housing Program (ORS 458.485), which is discussed below. The bill set the parameters for the LIFT program and provides funds to administer it that will allow the program to begin creating more affordable housing as quickly as possible.

Usage in Tigard or Other Cities

The City has participated in several residential PPPs in the past. A few examples are discussed here.

The Fields Apartments. A recent example of an innovative PPP in Tigard is The Fields mixed-use development, which is planned to include 260 housing units affordable to residents earning 60% AMI or below, including 26 units serving extremely low-income families at or below 30% AMI. The site will also include office development. To help facilitate the project, the City of Tigard worked with the property owner to pursue a grant from the Economic Development Administration that paid for infrastructure improvements to unlock the economic development potential of the site. The City also worked with the property owner to rezone the site, which allowed the apartments to be developed. As mentioned below, the Fields project received a LIFT award to assist with project financing, and the Washington County Housing Authority also contributed financing.82

Red Rock Commons Project. The development located in the Tigard Triangle generated
The project received funding from numerous sources including, but not limited to, Metro’s Transit Oriented Development, Washington County’s Housing Opportunity Fund, OHCS LIFT loan ($2.1 million), and Tigard Triangle Urban Renewal Funds ($200,000).^84

An example of a PPP strategy discussed in the SW Corridor Equitable Housing Strategy is employer-assisted housing. As detailed in that report, anchor institutions or large employers could directly participate in the development of affordable and/or market rate housing for rent or homeownership to eligible employees by providing property and/or low-cost financing. Another option is for employers to pay into a fund dedicated to alleviating the housing burden for Southwest Corridor employees.

**Local Innovation and Fast Track Housing Program (LIFT),** LIFT is a state-administered program that was approved through legislation in 2016 and provides funding for new affordable housing across the state, including for projects by private developers. The program was developed with the goal of quickly providing affordable housing units to low-income families and has funded numerous projects since its inception, including the Fields Apartments in Tigard (provided $9.8 million) and Cornerstone Apartments in Salem (provided $4.9 million).

**The Crossings at Gresham Station.** The mixed-use development is located next to the light-rail MAX station in Gresham. The building consists of 81 residential units and 20,000 square feet of ground-floor retail. The development was a public-private partnership between Peak Development, the City of Gresham, Metro, and the State of Oregon. The City of Gresham provided tax abatement, Metro provided funding from their transit-oriented development program, and Oregon Housing and Community Services (OHCS) provided grant and loan funding.\(^85\)

**Opportunities and Constraints**

Public-private partnerships are often not associated with structured programs; rather, they are often individual projects, which has both advantages and disadvantages. Projects are often opportunity-driven and may be spearheaded by the City or by private developers or partner agencies. With this structure, there is less administrative burden to the City, but it is also difficult to prepare for the capacity, typically financial, to participate in a partnership.

**Options and Alternatives**

Typically, public-private partnerships are implemented on a case-by-case basis and therefore vary significantly in their structure, costs, and resulting number of units. This makes it difficult to evaluate or compare alternative approaches to implementing them. A benefit to this structure is the flexibility to include a variety of partnerships/funding sources (as seen with The Crossings at Gresham Station).

**Implementation Needs**

The City should have the capacity, financial and administrative, to partner with a private entity on a partnership.

### 13. Community Land Trusts (CLTs)

**Description**

Community Land Trusts (CLT) is a model wherein a community organization owns land and provides long-term ground leases to low-income households to purchase the homes on the land, agreeing to purchase prices, resale prices, equity capture, and other terms. This model allows low-income households to become homeowners and capture some
equity as the home appreciates, but ensures that the home remains affordable for future homebuyers. CLTs may also lease land to affordable housing developers for the development of rental housing or may develop and manage rental housing themselves. Land trusts are typically run as nonprofits, with support from the public sector and philanthropy, and could be linked to a land bank. Land trusts can be focused on homeownership or rental units.

**Legal Basis**

A CLT lease creates a distinctive legal framework within which ownership of the land is separated from ownership of the improvements on land. The structure involves a “fee interest” in the leased land held by the CLT, and a “leasehold interest” held by the homeowner. In most cases the homeowner’s leasehold interest is accompanied by or includes deeded ownership of the house and other improvements on the leased land. As a general rule, there is no legal prohibition against the creation of separate ownership interests in a building and the underlying land.\(^{86}\)

**Usage in Tigard or Other Cities**

No CLTs are currently operating in Tigard. However, recruiting CLTs to the SW Corridor is a strategy included in the SW Corridor Equitable Housing Strategy Report.

**Proud Ground (Portland Metro Area).** Proud Ground was founded in 1999 and has grown into one of the largest community land trusts in the country. The organization focuses on affordable homeownership and controls ground leases associated with 270 homes in Multnomah, Washington, Clackamas, and Clark County. Proud Ground also offers homebuyer education and consulting services. Approximately 81 percent of the organization’s funding is derived from public subsidy, mostly from the jurisdictions where Proud Ground operates. The remaining funding is generated through private donors. To date, the City of Tigard has not provided funding to Proud Ground.

**Sawmill Community Land Trust (Albuquerque).** Founded in 1996, the Sawmill Community Land Trust evolved from an existing Community Development Corporation (CDC) to serve the Sawmill neighborhood on the edge of Historic Old Town, Albuquerque. The organization was founded to address concerns about pollution from adjacent industrial areas and anticipated gentrification of the neighborhood. The City of Albuquerque was a critical partner in the growth of the CLT. The City purchased and donated to the CLT a 27-acre parcel using CDBG funding, which the CLT developed into 93 affordable units, a mix of single-family homes, apartments, and townhomes available for purchase (with a CLT ground lease) or rent. Sawmill developed several additional multifamily properties in the surrounding area, including a 46-unit senior housing property and a 60-unit live/work building. The City of Albuquerque continues to provide operational funding to Sawmill.

**Opportunities and Constraints**

- Financing the initial acquisition of land and securing enough equity to scale the strategy are key challenges for the CLT model. Across the country, land trusts use a variety of land acquisition mechanisms, from private financing and municipal subsidies to relationships with land bank entities.
- In real estate markets where housing prices rise faster than household incomes, CLTs reduce the cost of subsidizing affordable homeownership units over time. As housing prices rise, and incomes do not keep up, the amount of subsidy needed to purchase the same home increases with each new buyer. If the CLT owns the land, however, they can control the rate of price increase, reducing or eliminating the need for a subsidy for subsequent buyers (see figure below).
Options and Alternatives

CLTs can take a variety of forms and cities can support the work of CLTs in a variety of ways. The examples below illustrate several potential CLT models to consider. The first two may be the most pertinent to a city of Tigard’s size:

- **Conventional CLT (Proud Ground).** The most common form of CLTs are focused exclusively on providing affordable homeownership of single-family housing. These CLTs may operate at neighborhood, city, or regional scale. The properties owned are typically “scattered site”, though may be concentrated in particular neighborhoods.

- **Development-oriented CLT (Sawmill Community Land Trust).** Some CLTs operate scattered site homeownership programs while also acting as a nonprofit affordable housing developer. These CLTs are essentially a hybrid of a CLT and a Community Development Corporation (CDC). This model provides the opportunity to respond to varying housing needs and development opportunities.

- **CLT network organization (Atlanta Land Trust Collaborative).** Some CLTs also function as network organization (or “central servers”) for multiple CLTs in a city or region. This model reduces administrative costs for members of the CLT network and may enhance fundraising opportunities.

- **Land bank steward (Denver Urban Land Conservancy).** At least one CLT studied functions as both a development-oriented CLT and an administrator of a land banking fund. The Denver Urban Land Conservancy is the steward of a land trust fund that targets properties near existing and future transit lines. The properties are preserved for development of affordable rental units. The ULC is well-positioned to act as a steward of the land bank because it has the organizational capacity to administer it and the ability to obtain funding from multiple public and private sources.

Implementation Needs

The City could provide support to CLTs in a variety of ways:

- Provide administrative or financial support for start-up and capacity-building for new CLTs
- Donate City-owned land to be managed by CLTs
- Provide grants or low-interest loans for specific development or rehabilitation projects
• Provide incentives to private developers (density bonuses, parking reduction, etc.) in exchange for the developer dedicating funds, land, or housing units to a CLT
• Partner with Washington County to ensure that tax assessment methods are fair and supportive of CLTs

The type of support the City would provide depends on the CLT model the City would like to employ and the specific needs of the organizational partners

14. Land Acquisition and Banking

Description

Land acquisition is a tool to secure sites for affordable housing. Public agencies can identify locations where prices are going up and acquire land before the market becomes too competitive, with the intention to use the land for affordable housing. The ability to identify promising sites within these locations and act quickly and efficiently in acquiring them can tip the scales to make an affordable housing development financially feasible.

Land banking is the acquisition and holding of properties for extended periods without immediate plans for development, but with the intent that properties eventually be developed for affordable housing. Land banks are often are quasi-governmental entities created by municipalities to effectively manage and repurpose an inventory of underused, abandoned, or foreclosed property. Public agencies or larger nonprofits may be better equipped than small community development corporations to do both land acquisition and banking.

Legal Basis

House Bill 2734, passed in June 2015, made it possible for local governments to create land banks. The legislation was developed by a coalition led by Metro and including local governments, chambers of commerce and environmental and housing advocacy groups. The Oregon land bank legislation is unique among state land bank laws in that it was crafted with the primary goal of supporting brownfield redevelopment. Protected from environmental liability, land banks would have the legal authority to acquire contaminated properties, clean them up and sell them for redevelopment, thereby accomplishing the goal of getting brownfield properties back in active use. However, land banks are a flexible tool that could be used to meet multiple public policy objectives and could be adapted to support affordable housing goals.

Usage in Tigard or Other Cities

Tigard has not yet engaged in any land banking or acquisition for affordable housing purposes. However, the City has discussed potential plans for redeveloping its campus of city facilities, including potential development of new housing in the area. This would effectively represent use of the land banking strategy. Since HB 2734 passed in 2015, no Oregon cities have begun land banking but numerous have discussed the tool to provide affordable housing units. Metro is exploring land acquisition for housing preservation or new development as strategy #1 of its regional housing investment opportunities. Examples from other Oregon cities are provided below.

Eugene Land Acquisition for Affordable Housing Program.

Initiated through a city council resolution in 1968 and reinforced through policy and funding decisions in subsequent decades, the Eugene’s Land Acquisition for Affordable Housing Program is one of the most longstanding land banking for affordable housing programs in the country. Due to its ability to respond to changing market conditions, the
program has benefitted from the ability to acquire land during economic downturns that can be held for development when the market picks back up. Since the purchase of the first site in 1979, nearly 90 acres have been acquired for affordable housing using a combination of federal and local funds. Thus far, 881 units of affordable housing units have been developed on program parcels, and 48 units are currently under construction.

**The Network of Oregon Affordable Housing (NOAH) Land Acquisition Loans.** NOAH’s Land Acquisition Loans are for highly accessible land that is transit oriented and located in close proximity to social and/or commercial services. Loans are available to for- and nonprofit entities. Loans awarded range from $25,000 to $1,000,000.88 The Portland Housing Bureau partnered with NOAH in 2016 to invest $1 million into the Oregon Housing Acquisition Fund, administered by NOAH89.

**Affordable Housing Land Acquisition Revolving Loan Program (LAP).** The new program, which was initiated in November 2018 by Oregon Housing and Community Services to assist eligible organizations in Oregon with purchasing land suited for affordable housing development. Eligible organizations include: local governments, local housing authorities, nonprofit community or neighborhood based organizations, federally recognized Indian tribes in Oregon, and regional or statewide nonprofit housing assistance agencies. Funding targets for the program are 40% funds for homeownership for low income households and 60% for organization operation rental housing for low income residents. While the LAP program is initially targeting rural areas, the program could be an option in Tigard if it is expanded or modified in the future to become available to urban communities.90

**Opportunities and Constraints**

The challenge of high land cost in high-opportunity areas has spurred local interest in coordinated land acquisition/land banking models. Key challenges for land acquisition include reliably identifying future areas of gentrification before prices go up, developing the resources necessary to purchase the land, creating mechanisms for easy land transfer and removing the liability associated with holding land. Land banking requires significant up-front investment to acquire land, which typically requires grants, and funding partnerships—with nonprofits, public entities, and private financing—to reach necessary funding levels. In addition, while this technique can help address the long-term need for affordable housing, it will not address the current need in the short-term.

**Options and Alternatives**

In addition to land acquisition and banking, another option for providing public land for affordable housing is to evaluate surplus land the City already owns and assess its potential for future affordable housing. Funding for land banks range from private financing and municipal subsidies to relationships with land bank entities.

**Implementation Needs**

Based on the City’s 2018 Buildable Land Inventory (BLI) there is limited vacant land in Tigard’s Urban Growth Boundary, some of which may be appropriate for land banking for future affordable housing development. The City must evaluate if the land acquisition and/or banking model is feasible, given the availability, location and characteristics of vacant or underdeveloped land. Further, the City must secure funding and/or work with partners to find adequate funding for land banking/or acquisition, then create a plan and partnerships for construction on the site(s).
### 15. Staff Allocation to Housing Program

| Description | A strategy to increase the City’s administrative capacity for addressing affordable housing issues and provide more effective and efficient use of resources, the City could consider dedicating one or more full or part-time staff members to these efforts. The dedicated staff member could oversee affordable housing programs, develop housing policy, and serve as a liaison to the City’s housing partners, including nonprofits, Washington County, Metro, and other local, regional, or state partners.  

City of Tigard Housing Strategies Report (2013) suggested that given Tigard’s relatively small but dedicated planning staff, the City continue to address housing needs in a consistent and coordinated manner, with some activities assigned to a specific staff person. While all staff should be well-versed in the recommended housing strategies, one staff person would be responsible for coordinating with other staff to review and refine the list of strategies; to address any emerging housing issues, needs or tools not previously identified; and to assess the City’s progress in implementing recommended housing strategies.  

However, given that the housing affordability crisis has escalated since 2013, it may make sense for the City to take its staffing approach a step further—perhaps by fully dedicating a staffer to planning for affordable housing. |
| Legal Basis | N/A |
| Usage in Tigard or Other Cities | The 2013 Housing Strategies Report noted that the City did not have a single staff person dedicated to addressing long range or current housing issues, including implementation of strategies for addressing affordable housing needs. Instead, similar to most small to medium size jurisdictions in Oregon, multiple staff people address residential planning and development issues through a range of activities, including reviewing residential development applications, incorporating planning for housing in specific or sub-area planning processes, administering and updating the City’s Development Code, and coordinating with regional and county efforts related to housing policy and development.  

**City of Beaverton.** The City has several staff working on housing-related issues, including a full-time Affordable Housing Manager, who was recently hired in fall 2018 and who is drafting a work plan that will address a range of issues associated with affordable housing, including homelessness, tenant advocacy, etc. The City also has two staff dedicated to managing Beaverton’s CDBG program. Many other staff in the City’s Development, Economic Development, and Planning departments also work on housing policy development and related efforts.  

**City of Bend.** The City of Bend has two staff specifically dedicated to managing its Affordable Housing programs. |
The City could hire a full-time staff person or could dedicate an existing staff member as the point person for addressing housing issues and programs (as recommended in the 2013 report). Another alternative could be to partner or contract with another organization (nonprofit or public entity) to share staffing resources and expertise. This could be done through a shared funding arrangement and could be an efficient way to meet the capacity needed for housing coordination with a staff member in a partnering organization.

The City would need to account for staffing needs associated with implementing housing strategies in annual budgeting and work planning activities. This would entail regularly estimating the amount of time needed to implement these strategies, prioritizing this work in relation to other duties, and ensuring that adequate time and resources are available to meet these goals within the City’s overall resource limits.

Note: Strategy #15 – City Support for Resident Services – was not included in the Background Report
Appendix B: Draft Evaluation Tables

Tables 2 through 4 were developed for earlier drafts of AHP and guided the recommendations provided in Section 3. The evaluations for the final recommendations for each strategy are found in Section 2. These draft evaluation tables give insight into the process of this report from initial assessments of each strategy to final recommendations.
## Table 7: Evaluation of Funding Sources

<table>
<thead>
<tr>
<th></th>
<th>Administrative Investment</th>
<th>Feasibility</th>
<th>Flexibility</th>
<th>Impact</th>
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<tbody>
<tr>
<td><strong>Local Construction Excise Tax (CET)</strong></td>
<td>How much time and resources are required to establish and administer the funding source?</td>
<td>Are there political, legal, or other obstacles to implementation? Is the tool dependent on other entities?</td>
<td>Can the funding source be flexibly used to achieve multiple outcomes? Are there limitations on the use of funds? Can the City change how the funds are used over time?</td>
<td>How much revenue might be produced, relative to other tools? Are revenues stable and predictable? Can the City use these funds to leverage resources from other partners?</td>
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<tr>
<td>Once established, the CET would be straightforward to administer through the development permitting process.</td>
<td>A 1% local CET is legal. There would likely be opposition from developers and property owners. It is unclear how much a fee would affect development feasibility. By structuring the policy with offsetting incentives, the City can limit impact on feasibility for certain projects.</td>
<td>Flexibility depends on how the CET is structured. Greater rates than 1% are possible on commercial/industrial development. Must comport with state requirements; some funding must go to the State for affordability programs.</td>
<td>To some extent, revenues generated depend on structure (applied only to residential or also to commercial/industrial properties?). CET funding relies on an active construction cycle and, as such, fluctuates from year to year. Over the prior 10 fiscal years (2009 – 2018), residential construction has accounted for roughly 80% of the new property value from construction, and 20% has been commercial. Over this period, a 1% CET applied to all new construction would have generated an estimated average of $745,000 in revenue per year. Since 2016, the estimated annual revenue would have been over $1 million annually. (There can be significant fluctuation in annual construction due to development cycles.) Because commercial construction has made up a smaller share of overall construction value over this period, a doubling of the commercial CET rate to 2% would increase overall revenue by 21% overall. While the commercial CET rate is technically open ended, the negative impact on project feasibility of each increment should be considered.</td>
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<tr>
<td><strong>CDBG Entitlement / HOME Program (HOME not recommended)</strong></td>
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<td>There is a significant amount of planning and reporting required to meet federal grant requirements for both CDBG Entitlement and HOME programs. Cities often have</td>
<td>For the HOME program, federal regulations require a local contribution of 25 cents for every HOME dollar used. The CDBG entitlement</td>
<td>HOME funds are more flexible than CDBG entitlement funds, in that they can be used to</td>
<td>Becoming CDBG Entitled or joining the HOME program would likely allow the City to meet specific needs that are not currently being met by the county consortium. Tigard’s potential CDBG allocation could be estimated at around $300,000 annually, based on Beaverton’s and</td>
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<td>Tax Increment Financing (TIF) Set Aside</td>
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<td>Tigard’s Town Center Development Agency and City Council would need to establish a policy for a TIF set aside, and maintain its 5-year urban renewal action plan. The administrative investment to develop the program and administer once implemented is similar.</td>
<td>TIF dollars are limited; allocating them to affordability would reduce funds available for other economic development priorities. A TIF set aside may be more feasible in the Tigard Triangle URA, which has roughly ten times the budget over 20 years of TIF collection (see Impact column):</td>
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<td>The URA can use these funds for land acquisition, pre-development assistance, SDC exemptions, or other incentives.</td>
<td>Revenue depends on the level of set aside. The strength of TIF funding is that it is relatively stable and predictable over the life of the URA. It is a good funding source to contribute to development partnerships, in key areas where housing has already been identified as a priority and codified in the UR plans. The adopted Urban Renewal Plans for Tigard’s two adopted URAs do not specify a precise funding amount for affordable housing projects, though such projects can be included under more general project categories in each plan. In the 2019 fiscal year, the combined TIF revenue of the urban renewal areas is projected to be near $1 million. The amount that can reasonably be set aside for affordable housing must be balanced with the other identified projects, and on-going debt service, of the URAs. The City Center plan included roughly $2.8 million over 20 years, in project categories which...</td>
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</table>
Urban renewal project categories which might encompass affordable housing projects: Planning and Development Assistance (City Center); Re/Development Assistance and Partnerships (Tigard Triangle). The Tigard Triangle plan included roughly $39 million over 20 years, over ten times as much. These categories include many other types of potential activities than those related to affordable housing. The actual growth of revenue for these activities will depend on the growth of real tax increment in these districts.

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3 Urban renewal project categories which might encompass affordable housing projects: Planning and Development Assistance (City Center); Re/Development Assistance and Partnerships (Tigard Triangle).
Table 8: Evaluation of Tools that Remove Development Barriers

<table>
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<tr>
<th>Reduced or Exempted SDCs</th>
<th>Administrative Investment</th>
<th>Feasibility</th>
<th>Flexibility</th>
<th>Impact</th>
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<tbody>
<tr>
<td></td>
<td>How much time and resources are required to establish and administer the program?</td>
<td>Are there political, legal, or other obstacles to implementation? Is the tool dependent on other entities?</td>
<td>Can the tool be flexibly used to achieve multiple outcomes? Can the City change how the program is used over time?</td>
<td>How many units might be produced, relative to other tools? Can the tool leverage investments from other partners? How long will the impact last?</td>
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<td></td>
<td>Depends on how exemptions are awarded and how compliance is monitored. If exemptions are available to all eligible projects year-round, reviewing applications should be fairly straightforward, but will require some staff time. If exemptions are limited and awarded by RFP, this may increase administrative burden. If compliance is achieved by deed restriction, little or no monitoring and enforcement is required. If annual reporting is required and projects are not already subject to these requirements at a local level, this will increase administrative burden. Programs to finance or defer SDCs are generally done through a contract and a lien on the property, which takes some effort from the City to set up, but minimal on-going administrative effort.</td>
<td>SDC reductions based on reduced impact (e.g., lower transportation SDCs due to lower car ownership levels) can be easily justified with available data but are generally adopted into the methodology and rate setting. State law does not explicitly address SDC waivers and exemptions for affordable housing; however, multiple jurisdictions have implemented such exemptions without legal challenge. Case-by-case exemptions tend to be “back-filled” from other sources, but across-the-board exemptions have been successfully implemented without cross-subsidy or being reflected in the SDC methodology. Feasibility mostly depends on political willingness to forego revenues. SDC deferral and financing are broadly used in Oregon and may be more politically acceptable since the revenue is deferred, not forgiven.</td>
<td>The tool is flexible, in that it can be applied to incentivize a variety of housing types (e.g., regulated affordable housing, ADUs, missing middle and other alternative housing forms). SDC rates and reductions can be adjusted over time as needed.</td>
<td>Reducing, waiving or deferring SDCs can have a sizable impact on development costs and feasibility. A recent SDC survey by the Homebuilders Association across the Metro area found that Tigard’s multifamily SDCs are well above average and roughly 165% of the median of the 42 cities and unincorporated areas studied. For the building modeled, Tigard SDCs ranked near the highest, trailing only recent UGB expansion areas. Offering some reduction of these charges can be expected to create a significant incentive over the current charges, but may only put Tigard on par with some other communities depending on the size of the discount.</td>
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<tr>
<td>Development Fee Reductions (not recommended)</td>
<td>Development fee reductions are subject to similar potential monitoring and enforcement issues as SDC reductions/exemptions (see row above). There is also a cost to the</td>
<td>Development fee reductions or waivers are not dependent on other entities; a program would be under complete control of the City. With clear and justifiable program guidelines that target affordable</td>
<td>Since the City would be the program lead and there are no external pressures (legal or financial contributions) the City has the flexibility</td>
<td>For new development or significant renovations that require permitting, the permit fees may be a small percentage of the total project cost but can amount to a significant amount of money saved. Typically, money saved earlier in the</td>
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<tr>
<td>Affordable Housing Plan</td>
<td>Appendix B – 6</td>
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<tr>
<td><strong>City to reduce or waive development fees, as these fees are intended to recover costs for staff review.</strong></td>
<td><strong>housing, there should be no political or legal obstacles to implementation. The amount of fee reduction would depend on a careful calculation of impact to developers versus impact to City revenues. The City will need to determine how much revenue from fees it would be willing to forgo. It is possible to use other sources of funding to backfill some of this loss. CET in particular mandates a portion goes to funding this type of developer incentive.</strong></td>
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<td><strong>to decide the eligibility criteria and conditions of the program (percentage or amount waived or reduced). The program could be applied to rehabilitation in addition to new construction.</strong></td>
<td><strong>development process alleviates portions of the cost to buyers or renters, therefore promoting greater affordability. The developer is often tying up capital and/or paying interest on loans during the pre-development process, so reducing costs in this period can help the project move on to development and increase feasibility. However, permit fees add relatively little to development costs on a per-unit basis; therefore, reducing fees may not provide a sufficient incentive to developers. Generally, fee waivers will have less impact than SDC exemptions.</strong></td>
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**Tax Abatements**

| **Once program guidelines are in place, the property tax abatement is relatively easy to administer. Requires compliance and monitoring. Program establishment could be more burdensome if it takes substantial effort convince other taxing districts to participate in the program. Initial administrative investment to develop policies is more than the administrative investment to administer the program once implemented.** |
| **With targeted program guidelines, the program is likely to be politically acceptable. Precedent exists through the City’s Vertical Housing program and Nonprofit corporation Low Income Housing Tax Exemption. The City must determine how much revenue it would be willing to forgo, and for an effective program, must work with other taxing districts to agree to forgo their revenue.** |
| **This tool’s sole use is to abate taxes. State statues for all potential tax abatement programs require a minimum of 51% of the property’s taxes (across all taxing districts) be exempted. Since the City’s taxes account for roughly 14.5% of local government taxes in recent years. If the City can secure agreements with other taxing districts, the program will have the most impact.** |
| **Property tax abatements reduce ongoing operating costs for affordable housing projects, which can be greatly beneficial for affordable housing finances. The impact of the program depends on taxing district participation, since City taxes only account for roughly 14.5% of total local government taxes. If the City can secure agreements with other taxing districts, the program will have the most impact. Tax exemptions can be a very strong tool to incentivize affordable housing, and make proposed projects more viable depending on how they are structured.** |
| **A large new apartment complex might have a taxable assessed value (TAV) of many millions of dollars. Currently, such a development contributes an estimated $17,200/year in property taxes per $1 mil. in TAV. The City can expect to see roughly $2,500/year/$1m TAV (not including city bond levy). The annual benefit to the property owner from a city tax abatement can amount to tens of thousands of dollars, making this a strong financial incentive.** |
| **Because of the trade-off in revenue, the City should carefully consider which tax** | **The City has discretion to set eligibility criteria, including required affordability levels (up to 120% AMI) and the percent of affordable units required in a building. Can be applied to rehabilitation in addition to new construction.** |
| Addressing Restrictive CC&Rs | The policy is not dependent on other entities, which allows some flexibility. Similar polices are being developed in neighboring cities as required by Metro; therefore, there will soon be local legal precedent (if it does not already exist). | The tool’s sole use is to limit restrictive CC&Rs that prevent development of certain housing types; therefore, it has limited reach, absent future litigation or case law that could impact current restrictions. Future policy changes would be a manageable task of adopting code amendments. | There are legal challenges to addressing existing CC&Rs. A policy to limit future restrictive CC&Rs may not impact a large number of properties, as there is a limited amount of land area available in the City’s boundaries to develop new subdivisions outside of areas currently under development. |

exemption programs to use, and what the desired outcomes are. In general, market-rate developers will use the program that maximizes benefits while requiring the least changes to their development plans. For instance, the Multi-Unit Housing exemption can encourage housing closer to market-rate levels (up to 120% of AMI) but this might discourage use of the Low-Income Housing program unless the benefits are calibrated.
### Table 9: Evaluation of Tools to Develop or Preserve Affordable Housing

<table>
<thead>
<tr>
<th>Administrative Investment</th>
<th>Feasibility</th>
<th>Flexibility</th>
<th>Impact</th>
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<tr>
<td>How much time and resources are required to establish and administer the program?</td>
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<td>How many units might be produced, relative to other tools? Can the tool leverage investments from other partners? How long will the impact last?</td>
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</table>

**Inclusionary Zoning (IZ) (not recommended)**

IZ requires close administrative oversight to ensure the mandatory units are properly built and maintained. Further, administration of fee-in-lieu funds will likely require establishment of a more involved program to administer and direct the funds to other affordable housing projects. Similarly, an IZ program also requires establishment and on-going administration of the required “finance-based incentives” meant to offset the costs to developers.

State laws authorizing IZ include a number of limitations that create administrative and financial hurdles for the strategy (see the Legal Basis description for this strategy in Appendix A). These limitations make it challenging to implement in most small- and medium-sized jurisdictions. IZ programs entail additional administration costs for developers to track and report the affordable units over time. Often, this can present a management challenge and expense simply due to a market developer’s unfamiliarity with affordable housing. This unfamiliarity might curb new development, and future property sales if buyers are similarly unfamiliar with affordable housing management.

The flexibility of IZ is limited by state statutes, which establish the parameters of any local IZ program. However, local jurisdictions can select many of the program details, including which developer incentives will apply, establishing the in-lieu fee rate, and determining how fee-in-lieu funds are spent. Cities can adjust these details over time in response to program performance and outcomes.

Mandatory inclusionary zoning can affect development feasibility and land values. Incentives and requirements must be carefully balanced so as not to inhibit housing production. Inclusionary zoning programs typically create a fraction of the needed affordable housing units and their efficacy at producing affordable housing units fluctuates over extended periods of time.

The most likely market response to IZ are to slow new development, at least in the early years, as market-rate developers seek opportunities in other communities that don’t carry the same requirements. Another market response is likely to be a marginal increase in rents in the remainder of the units in the building, to offset the loss of revenue from affordable units. If the affordable rent level is kept constant across the jurisdiction, then one possible market response will be to build new multifamily apartment properties in areas that are already lower rent. Finally, an increase in development of smaller rental properties of less than the 20-unit threshold should be expected.
### Preservation of Low Cost Market Rate (LCMR) Housing

<table>
<thead>
<tr>
<th>Administrative Investment</th>
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<td>How much time and resources are required to establish and administer the program?</td>
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<td>How many units might be produced, relative to other tools? Can the tool leverage investments from other partners? How long will the impact last?</td>
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</table>

#### A) Housing Preservation Fund (HPF): If City run, requires substantial staff time and upfront policymaking, plus ongoing administration and compliance monitoring. Partnering with a separate entity would reduce administrative costs.

- **B) Grants/Loans for Rehab:** Similar administrative investment as an HPF. The administration of loans can be significantly more complex than grants. Contracting administration to an established preservation entity would reduce costs.

  Programs will likely require an inventory of potential residential properties that might meet the qualifications, and some active marketing to good candidates to raise awareness and encourage participation.

- **C) Acquiring LCMR Housing:** Similar administrative investment as an HPF or grants/loans. Would need to find properties to acquire and find partner to assist in purchase and management of newly regulated affordable housing.

- **D) Tax Abatement:** See Tax Abatement strategy rating.

#### A) Housing Preservation Fund (HPF): Potential political obstacles to implementation. If City-run, the fund may need to establish its own entity within the City (like the Portland Housing Bureau for City of Portland). No funding source is currently identified.

- **B) Grants/Loans for Rehab:** Ideally, the fund would be administered by its own entity within City of Tigard (like PHB for City of Portland), or the City could set aside dollars to a partner.

- **C) Acquiring LCMR Housing:** The program would require significant funding to acquire properties. The tool is particularly effective in tight housing markets, which is also associated with higher cost of real estate.

- **D) Tax Abatement:** See Tax Abatement strategy rating.

#### A) Housing Preservation Fund (HPF): The City would be able to design the program around its specific housing needs and goals. It would be free to change its policies over time.

- **B) Grants/Loans for Rehab:** (same as HPF)

- **C) Acquiring LCMR Housing:** (same as HPF and grants/loans)

- **D) Tax Abatement:** See Tax Abatement strategy rating.

#### A) Housing Preservation Fund (HPF): Depending on funding levels, these funds can be a powerful tool for preservation, with the potential to stabilize a significant number of existing LCMR housing units.

- **B) Grants/Loans for Rehab:** With a large and steady investment, this program could encourage partnerships with local property owners to preserve existing LCMR housing for a long period of time.

The impact of these programs will be dependent on the number of properties that qualify, and the ability to attract these owners to the program before market/gentrification forces or encourages them to sell or redevelop older MFR properties. The disposition, timeframe and goals of individual owners will determine participation. The impact also will depend on the amount of funding available to be disbursed, and attractiveness of the terms. Grants will be more attractive than loans, and loans with generous terms will be more attractive than conventional loans. In general, loan qualifications and terms should be marginally more lenient than from commercial lenders, otherwise owners will seek market loans without affordability requirements.

- **C) Acquiring LCMR Housing:** As this program would require significant funding, the impact is likely to be limited compared to a grant or loan program.

- **D) Tax Abatement:** See Tax Abatement strategy rating.
<table>
<thead>
<tr>
<th>Tenant and Homeowner Protections</th>
<th>Administrative Investment</th>
<th>Feasibility</th>
<th>Flexibility</th>
<th>Impact</th>
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<tbody>
<tr>
<td><strong>A)</strong> Tenant Application Policy Reform: Policies would take some administrative capacity to create and adopt, but little to administer once adopted. The City should determine the method of enforcement of the policies (complaint-based vs. active). <strong>B)</strong> Rental License and Inspection Programs: If the programs are City-led, would require administrative capacity to enact and monitor compliance. Some programs can be implemented with assistance from a community organization, reducing some of the administrative burden. A license program would require less administrative capacity if was implemented without an inspection program.</td>
<td>How much time and resources are required to establish and administer the program?</td>
<td>Are there political, legal, or other obstacles to implementation? Is the tool dependent on other entities?</td>
<td>Can the tool be flexibly used to achieve multiple outcomes? Can the City change how the program is used over time?</td>
<td>How many units might be produced, relative to other tools? Can the tool leverage investments from other partners? How long will the impact last?</td>
</tr>
<tr>
<td><strong>A)</strong> Tenant Application Policy Reform: Pushback from rental property owners is likely. Progressive rental policy reform has minimal precedence in the area, except for Portland, which makes it difficult to estimate level of pushback. <strong>B)</strong> Rental License and Inspection Programs: Suggested programs would require commitment of City funds or dependent on nonprofit or County partners. However, funding needs are relatively small compared to other strategies explored in the AHP.</td>
<td></td>
<td></td>
<td></td>
<td>Programs and policies focused on tenant protection can help stabilize costs for existing renters and homeowners, and may help broaden access to rental housing for more people. However, this strategy will not create new units and may not preserve existing affordable units.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Incentive Zoning</th>
<th>Simple approach</th>
<th>Market calibration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Density / Height Bonus</strong></td>
<td>Simple approach: Relatively minimal initial staff investment to adopt changes if bundled together and/or coupled with other code changes. Ongoing administrative burden will be minimal if done through clear and objective standards. <strong>Market calibration:</strong> Additional study required to establish the program and administer if the City wants to calibrate the bonus to different market areas and gauge the effectiveness of the bonus paired</td>
<td>Neighborhood opposition is possible, depending on the magnitude of the bonuses and where they apply. Opposition is likely to increase if paired with parking reductions (see next row), which would make the bonuses more effective.</td>
</tr>
</tbody>
</table>
### Affordable Housing Plan

#### Appendix B

**TIGARD HOUSING STRATEGY IMPLEMENTATION PLAN**

June 4, 2019

<table>
<thead>
<tr>
<th></th>
<th>with other incentives and over time. This is especially needed in downtown and other mixed-use areas.</th>
<th>income / affordable housing projects than would have occurred anyway. Further, density or height bonuses will only be effective in those areas where developers tend to develop to current maximum standards, indicating a desire for greater development capacity.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reduced Parking Requirements</strong></td>
<td>Establishment of the requirements would require technical analysis and well-documented findings to adopt code amendments, coupled with community outreach. Relatively low administrative costs to administer once enacted.</td>
<td>Surface parking costs roughly $5,000-10,000 per space, so reducing the number of spaces required can have a relatively significant impact / benefit on development costs, particularly for larger, denser projects where parking drives land need and ability to achieve density targets. Parking reductions are generally effective in most markets as they provide developers with significant flexibility and allow more intensive use of the land.</td>
</tr>
<tr>
<td><strong>Relief from Mixed-Use Requirements</strong></td>
<td>Requires drafting and passing code amendments. Low administrative costs and minimal ongoing administration required.</td>
<td>Likely will not generate a large number of affordable units but could result in affordable housing development in zones where it has not previously been developed. Requirements for ground floor retail or commercial use can be a significant impediment for non-profit developers in terms of development costs, time needed to lease ground-floor space, and the ability to acquire financing.</td>
</tr>
<tr>
<td><strong>Community Land Trusts</strong></td>
<td>Assuming that the City would partner with an existing CLT, the City’s role would be to provide financial and technical assistance.</td>
<td>CLTs are unlikely to produce substantial unit numbers unless significant resources are raised from a broad mix of funding partners, but they can provide permanent affordability. The City’s funds can be used for unit preservation and land for new units. The City can establish goals and objectives coupled with its investments, ensuring the success of the projects.</td>
</tr>
</tbody>
</table>

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## Affordable Housing Plan

**TIGARD HOUSING STRATEGY IMPLEMENTATION PLAN**

**June 4, 2019**

<table>
<thead>
<tr>
<th>Land Banking &amp; Acquisition</th>
<th>Vacant land in high-opportunity areas with willing sellers is scarce in Tigard. Could work in conjunction with brownfield revitalization programs. Because land acquisition is expensive, this tool is generally used for opportunities, such as potential “catalyst” locations, or large multi-family housing sites that may be in danger of development with less density or higher priced housing.</th>
<th>Land banking allows for patient investment in rental or ownership units. This is an important tool to use in “down market” conditions. Public agencies can often be more patient than a private owner in the ultimate use of the property, waiting for the right opportunity for development.</th>
<th>Relative to other tools, control of land allows for a potentially big impact. Land can be acquired cost-effectively if purchased in down-cycles and used to leverage developer investment. Land acquisition by a city or city partner is the most direct method to ensure that a key parcel or location will be preserved to meet public goals such as affordable housing, mixed uses, transit-oriented development, etc. By controlling the property, the City ultimately dictates what happens there. The value of the land is a strong incentive that can be offered to potential development partners to participate in the project and meet the public goals.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staff Allocation to Housing Program</strong></td>
<td>Adding staff may not be feasible in the near-term, based on the current budget allocation, but will become more feasible as the City grows, especially if additional funding for housing programs is secured.</td>
<td>A dedicated staff member would have flexibility to administer whichever housing strategies the City determines are the highest priority. However, flexibility may depend on the funding sources for the position(s). Certain funding sources (such as CDBG) may have limitations on how they can be spent.</td>
<td>A dedicated staff member for housing programs would have a significant impact on the City’s ability to implement the range of housing strategies recommended in the AHP, particularly the ability to partner with, leverage and support other organizations. Staff itself would not create housing, but additional staff capacity would increase the effectiveness of most strategies in creating or preserving affordable housing units.</td>
</tr>
</tbody>
</table>

**Staff effort will depend on budget amount and annual activity. A land banking and/or acquisition strategy could require development of program criteria and guidelines. Requires staff well-versed in real estate and property management.**

**Land banking allows for patient investment in rental or ownership units. This is an important tool to use in “down market” conditions. Public agencies can often be more patient than a private owner in the ultimate use of the property, waiting for the right opportunity for development.**

**Staff effort will depend on budget amount and annual activity. A land banking and/or acquisition strategy could require development of program criteria and guidelines. Requires staff well-versed in real estate and property management.**

**Vacant land in high-opportunity areas with willing sellers is scarce in Tigard. Could work in conjunction with brownfield revitalization programs.**

**Because land acquisition is expensive, this tool is generally used for opportunities, such as potential “catalyst” locations, or large multi-family housing sites that may be in danger of development with less density or higher priced housing.**

**Land can be acquired cost-effectively if purchased in down-cycles and used to leverage developer investment.**

**Land acquisition by a city or city partner is the most direct method to ensure that a key parcel or location will be preserved to meet public goals such as affordable housing, mixed uses, transit-oriented development, etc. By controlling the property, the City ultimately dictates what happens there. The value of the land is a strong incentive that can be offered to potential development partners to participate in the project and meet the public goals.**

**Adding staff may not be feasible in the near-term, based on the current budget allocation, but will become more feasible as the City grows, especially if additional funding for housing programs is secured.**

**A dedicated staff member would have flexibility to administer whichever housing strategies the City determines are the highest priority. However, flexibility may depend on the funding sources for the position(s). Certain funding sources (such as CDBG) may have limitations on how they can be spent.**

**A dedicated staff member for housing programs would have a significant impact on the City’s ability to implement the range of housing strategies recommended in the AHP, particularly the ability to partner with, leverage and support other organizations. Staff itself would not create housing, but additional staff capacity would increase the effectiveness of most strategies in creating or preserving affordable housing units.**
### City Support for Resident Services

| | Providing financial support for resident services would require relatively little administrative investment. Some initial administrative capacity would be required to identify funding sources and mechanisms. Selecting which projects to support would require ongoing, but small, administrative investment. |
| | The provision of resident services is dependent on other entities—typically nonprofit housing providers. However, the City’s support for these services would likely face few political or legal obstacles. The primary limitation would be available funding. |
| | The City would have flexibility in determining how financial support is provided, and to which projects. However, the scope of this strategy is relatively limited, and would mostly benefit those with very low incomes. |
| | Resident services can enhance the effectiveness of the City’s investments in affordable housing by helping to stabilize housing for tenants of affordable units. City support could also help fill a critical gap in the affordable housing landscape more generally—including implementation of the Metro housing bond—by providing additional support for those earning less than 30% AMI. However, this strategy will not create new affordable units or preserve existing units. Therefore, the overall impact would be relatively low, but it could have a high impact on a smaller group of very low-income residents. |
## Appendix C: SDC Comparison for ADUs

<table>
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<tr>
<th>Location</th>
<th>Transpor-tation</th>
<th>Parks</th>
<th>County Transpor-tation</th>
<th>Other</th>
<th>Total W/O Water &amp; Sewer</th>
<th>Water (Required)</th>
<th>Sewer (Required)</th>
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<td>Beaverton (&lt;1000sf)</td>
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<td>5,696</td>
<td>0</td>
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<td>0</td>
<td>5,650</td>
<td>$17,118</td>
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<tr>
<td>Beaverton (&gt;1000sf)</td>
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<td>Tualatin</td>
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<td>$14,610</td>
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<tr>
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<td>5,308</td>
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<td>North Bethany (attached)</td>
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<td>North Bethany (detached)</td>
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<td>0</td>
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</tr>
</tbody>
</table>
Appendix D: Parking Regulations in Tigard – Assessment by DLCD

Schuler Warren, City of Tigard
Matt Hastie, Angelo Planning

Group RE: Parking Regulations in

Tigard 11 February 2019

Dear Schuyler and Matt:

We have done a quick scan of Tigard’s existing codes and requirements and the draft Housing Strategy Implementation Plan under HB 4006. Apologies in advance if our quick review recommends something that you are already doing or planning on doing.

Recommendations for Tigard’s Housing Strategy Implementation Plan (THSIP):

1. The list of “Tools that Remove Development Barriers” (section 1.2) should include reductions to off-street parking requirements. Although the THSIP is tasked with including recommendations for code amendments, the only code amendment recommended in the “Tools” section relates to CC&Rs.

2. In addition to disallowing CC&Rs from “prohibiting or limiting the type or density of housing that would otherwise be allowable under city zoning,” CC&Rs should also be prevented from requiring more off-street parking (or less flexible parking standards) than otherwise required by citycode.

3. Currently, parking is only mentioned to any extent under the section “Incentive Zoning” in Table 2.3: Tools to Develop or Preserve Affordable Housing. Some of these reductions could be applied more broadly and added to “Tools that Remove Development Barriers” (see #1, above), instead of restricted only to affordable housing projects. Reducing parking requirements has the potential to make all types of housing more affordable.

Additional Recommendations

Whether revised under the THSIP or separately, your Community Development Code requires more parking than the market would likely provide on its own. These excess requirements, as you are aware, boost costs to businesses and residents, while encouraging additional driving with concomitant societal costs.
Here are some items to consider for the Tigard Community Development Code, Chapter 18.410 Off-Street Parking and Loading. The first two of these are adapted from the DLCD *Model Code for Small Cities*.

1. The applicant may propose a parking standard that is different than the standard under subsections 3.5.030.A(1) and (2), above, for review and action by the [Planning Official / Planning Commission] through a Type [II / III] procedure. The applicant’s proposal shall consist of a written request and a parking analysis. The parking analysis, at a minimum, shall assess the average parking demand and available supply for existing and proposed uses on the subject site; opportunities for shared parking with other uses in the vicinity; existing public parking in the vicinity; transportation options existing or planned near the site, such as frequent bus service, carpools, or private shuttles; and other relevant factors.

2. The (City decision-making body) through a Type [II / III] procedure may reduce the off-street parking standards of Table 3.5.030.A for sites with one or more of the following features:
   a. Site has a bus stop with frequent transit service located adjacent to it, and the site’s frontage is improved with a bus stop waiting shelter, consistent with the standards of the applicable transit service provider: Allow up to a [20] percent reduction to the standard number of automobile parking spaces;\(^4\)
   b. Site has dedicated parking spaces for carpool or vanpool vehicles: Allow up to a [10] percent reduction to the standard number of automobile parking spaces;
   c. Site has dedicated parking spaces for motorcycles, scooters, or electric carts: Allow reductions to the standard dimensions for parking spaces;
   d. Site has more than the minimum number of required bicycle parking spaces: Allow up to a [5-10] percent reduction to the number of automobile parking spaces.

3. Consider amending the purpose statement to add in the purpose to not unduly burden housing construction and business construction and renovation. Cities should aim to avoid the costs of excessive required parking.

4. Remove the requirement that off-street parking must be on the same lot as it serves. This will provide flexibility for building owners, may encourage walking past other businesses, and allows for more walkable areas less interrupted by parking lots. As a less desirable alternative, allow off-site parking within a quarter-mile.

5. Remove the prohibition on renting, leasing, or reassigning parking spaces. Limiting the market-driven transfer of parking spaces will result in duplicative parking spaces.

\(^4\) This could be in addition to the Zone A and B standards adopted to comply with the Metro Regional Transportation Functional Plan. On-site is significantly better than 0.5/0.25 mile walk.
6. Clarify the typographical error in Bike Parking Standards in 18.410.050(c), where the second sentence ends unexpectedly.

7. Remove limits for the on-street parking credit in 18.410.090. These could be widely available for all uses, need not be on the same side of the street, could be for spaces as small as 20 feet, and could be on unimproved roadways. This can reduce the construction of excess duplicative parking spaces, freeing up land and money for higher and better uses.

8. Reduce the number of spaces required generally. There are many multi-unit developments in transit-served areas in Portland, for example, that provide significantly less than one space per unit, and are finding success in the market. Generally developers have strong incentives to build sufficient supply to meet demand. We would recommend that vehicle minimum requirements be no more than 0.5 per unit for smaller units, and no more than 1 per unit for larger units. As transportation network companies, automated vehicles, electric scooters, e-bikes and other technologies reduce the demand for individual-owned vehicles (at least second and third vehicles), it is important to not build in 30 years of debt on overbuilt parking structures.

We do not have significant expertise in parking demand for commercial and industrial developments, so cannot provide advice on those specific numbers, other than the standard Shoupian\(^5\) advice to allow the market to drive provision, base any requirements on localized data, and give developers the ability to request and make the case for adjustments.

We hope these suggestions are useful. We realize some of these policy choices are not without controversy, and that the policies were recently updated, possibly after considering many of the recommended changes above.

Please let us know if you would like to discuss these suggestions, have questions or need additional assistance or research completed to implement these recommendations.

Regards,

Evan Manvel
Land Use and Transportation Planner
DLCD

Laura Buhl
Land Use and Transportation Planner
DLCD

cc: Anne Debbaut, Regional Representative, DLCD

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\(^5\) Professor Donald Shoup, author of *The High Cost of Free Parking* and editor of *Parking and The City*. 
1 HUD Exchange. Community Development Block Grant Entitlement Program. Available at: https://www.hudexchange.info/programs/cdbg-entitlement/.
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