



City of Tualatin

CITY OF TUALATIN Staff Report

TO: Honorable Mayor and Members of the City Council

THROUGH: Sherilyn Lombos, City Manager

FROM: Steve Koper, AICP, Assistant Community Development Director
Erin Engman, AICP, Senior Planner

DATE: June 12, 2023

SUBJECT:

Consideration of Resolution No. 5700-23 adopting Tualatin's Equitable Housing Funding Plan.

BACKGROUND:

In 2021, the City Council adopted a Housing Production Strategy (HPS) which serves as a City's commitment to develop strategies that encourage the production of needed housing, with an emphasis on improving outcomes for underserved communities, people with lower incomes, and people in state and federal protected classes. The state requires cities to evaluate the effectiveness of their HPS strategies and report on implementation progress over a six-year period.

And in 2022, the City of Tualatin was awarded a grant to work with EcoNW to develop an Equitable Housing Funding Plan as the next step in studying select actions in the HPS. Staff then held a work session with City Council on October 24, 2022, to introduce the project and on March 13, 2023, to provide a project update. An advisory committee was formed to discuss and provide feedback on the financial considerations being studied over the course of five meetings.

EXECUTIVE SUMMARY:

Tualatin has an urgent need for more housing that is affordable to people who live and work in Tualatin. While these problems are not unique to Tualatin and are common across the Portland region and state, Tualatin has a role in supporting the development of housing that is affordable to people who live and work in Tualatin.

The Equitable Housing Funding Plan studies actions identified in the HPS that either produce funding or require funding to support the development of housing that is affordable for moderate and low-income households with greater-than-average housing needs in Tualatin. This plan intentionally incorporates equity into its recommendations for implementing strategic actions by prioritizing those with the greatest housing needs, including:

- **Low-income households.** Households below 60% of MFI who account for roughly a third of Tualatin's households are considered to require publicly subsidized housing to avoid cost burdening.
- **Cost-burdened renters.** Cost burdening typically describes households that pay more than 30% of their monthly income toward their total housing costs. In 2016-2020, nearly half of renters in Tualatin were cost burdened, compared to only 17% of homeowners.

- **People of color.** Cost burdening in Tualatin disproportionately affects people of color who both rent or own their homes. The legacy of historic discriminatory practices such as denial of financial services still creates housing disparities for households of color.
- **Seniors.** On average, Tualatin householders 65 years of age and over had a lower income than the overall median and may have more challenges finding affordable housing or paying for maintenance in a home that they own.
- **Disabled residents.** About 8% of Tualatin’s population had one or more disabilities, who may have additional housing needs beyond affordability, including accessible home features, proximity to transit, and other resources.
- **Commuters.** In Tualatin, 93% of workers commute from other nearby areas each day, some of whom are not currently able to afford the city’s rental rates or homeownership.

The table below page, shows a summary of each of the strategic actions that were studied and their estimated range of funding in the next five years, either by providing revenue that can be used for housing, forgoing revenue to reduce costs for affordable development, or using funding for targeted programs.

Tool	What Does it Do	Population Served	Provides, Forgoes or Requires Revenue?
Construction Excise Tax	Levies a tax on new construction to fund housing programs and investments	Moderate Income and Lower-Income households	Provides Funding
Urban Renewal	Uses tax increment financing revenue for capital projects in urban renewal plan areas to support housing goals	Current and future residents within urban renewal area	Provides Funding
Nonprofit Low Income Tax Exemption	Forgoes property taxes for affordable housing provided by nonprofit organizations	Extremely and Very Low Income (<50%)	Forgoes Revenue
Multiple Unit Property Tax Exemption	Forgoes a portion of property taxes for mixed-income housing provided by market-rate developers	Low Income (50-80%)	Forgoes Revenue
System Development Charges Exemption	Reduces up-front development fees charged by the City for new affordable units (which must be backfilled from another funding source).	Extremely and Very Low Income (<50%) or Low Income (50-80%)	Forgoes Revenue
Down Payment Assistance	Provides funding for up-front costs to support moderate-income first-time homebuyers.	Moderate Income (80-120%) Seniors or disabled residents	Requires Funding
Home Rehabilitation	Provides funding for home repairs, weatherization, and/or accessibility improvements for qualifying homeowners.	Moderate Income (80-120%)	Requires Funding

All of the tools in the funding plan will need future study and buy-in from the public, partners (such as overlapping taxing districts, developers, etc.), and City Council decision before being implemented.

RECOMMENDATION:

The Advisory Committee unanimously recommends that Council pass Resolution No. 5700-23, adopting Tualatin’s Housing Equitable Funding Plan.

OUTCOMES OF DECISION:

Adoption of the Equitable Housing Funding Plan acknowledges preliminary evaluation and support for select strategies identified in the Housing Production Strategy. Council may choose to direct staff to further evaluate or implement all, some, or none of the tools studied in the Equitable Housing Funding Plan.

On a related note, staff will be required to submit a report to the state that summarizes scheduled implementation of strategic actions set forth by the Housing Production Strategy under OAR 66-0008 by August 2024. For strategic actions not adopted on the schedule in the HPS, the City must provide an explanation of the circumstances that posed a barrier to implementation and a plan for addressing the need identified in the strategy.

ALTERNATIVES TO RECOMMENDATION:

- Propose modification to the Equitable Housing Funding Plan ;
- Continue the discussion to a future time; or
- Deny the proposed Equitable Housing Funding Plan.

FINANCIAL IMPLICATIONS:

There are no direct financial implications of adoption of the Equitable Housing Funding Plan; however the plan highlights potential costs (or revenues), financial tradeoffs, and equity considerations for each strategic action studied. Staff time will be required to further evaluate and implement potential strategic actions as directed by Council.

ATTACHMENTS:

- Exhibit 1: Presentation
- Exhibit 2: Resolution No. 5700-23
- Attachment A: Equitable Housing Funding Plan