

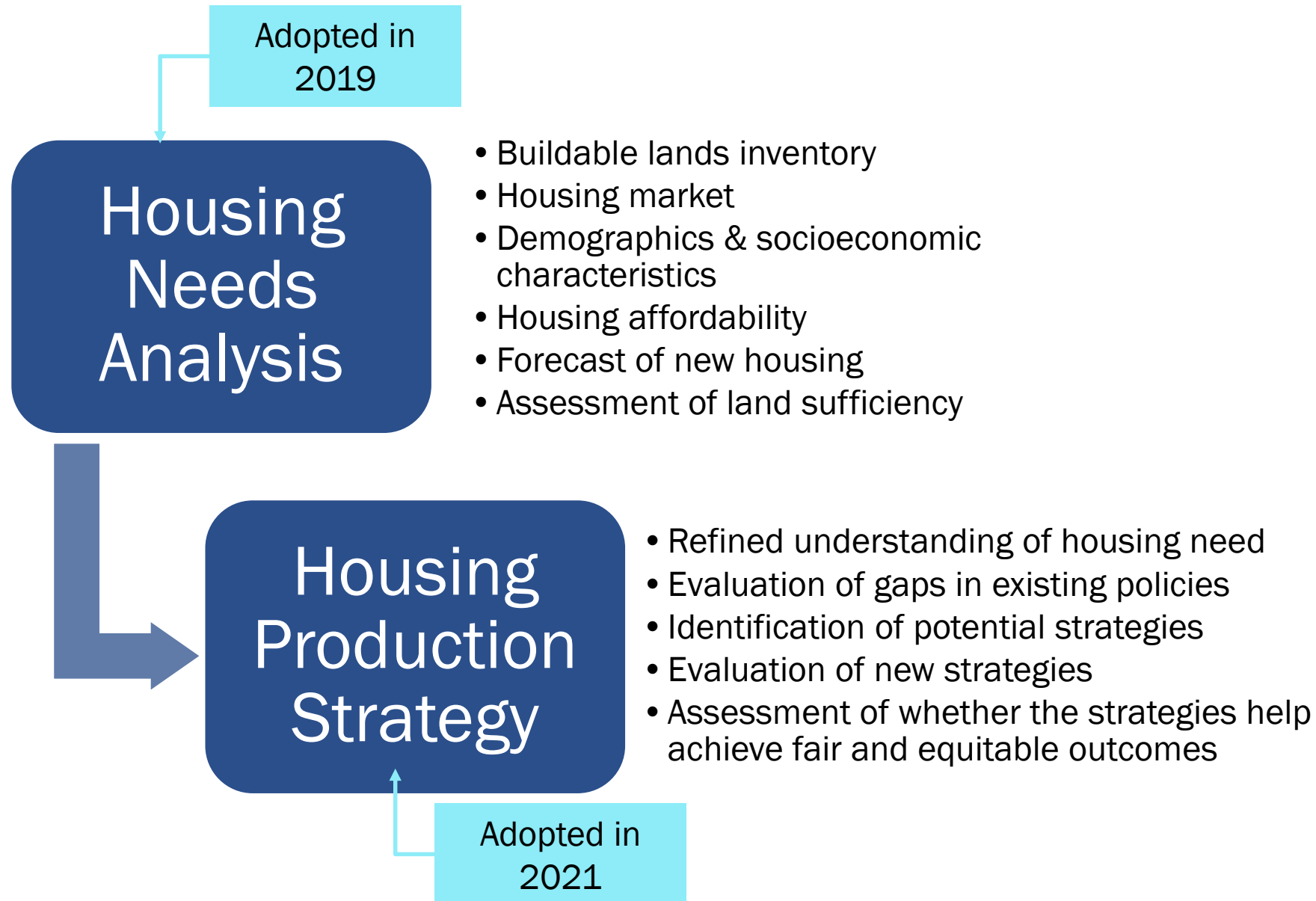
# Tualatin's Equitable Housing Funding Plan

City Council Session

June 12, 2023

**ECONorthwest**  
ECONOMICS • FINANCE • PLANNING

# Tualatin's Recent Housing Planning Work



- The Equitable Housing Funding Plan provides next steps towards affordable, fair and equitable housing outcomes
  - Will give guidance for financial and regulatory actions
  - Examines HPS strategic actions that produce funding and those that require funding
  - Focuses on financial and equity tradeoffs of these actions

# Tualatin's Cost Burdened Households

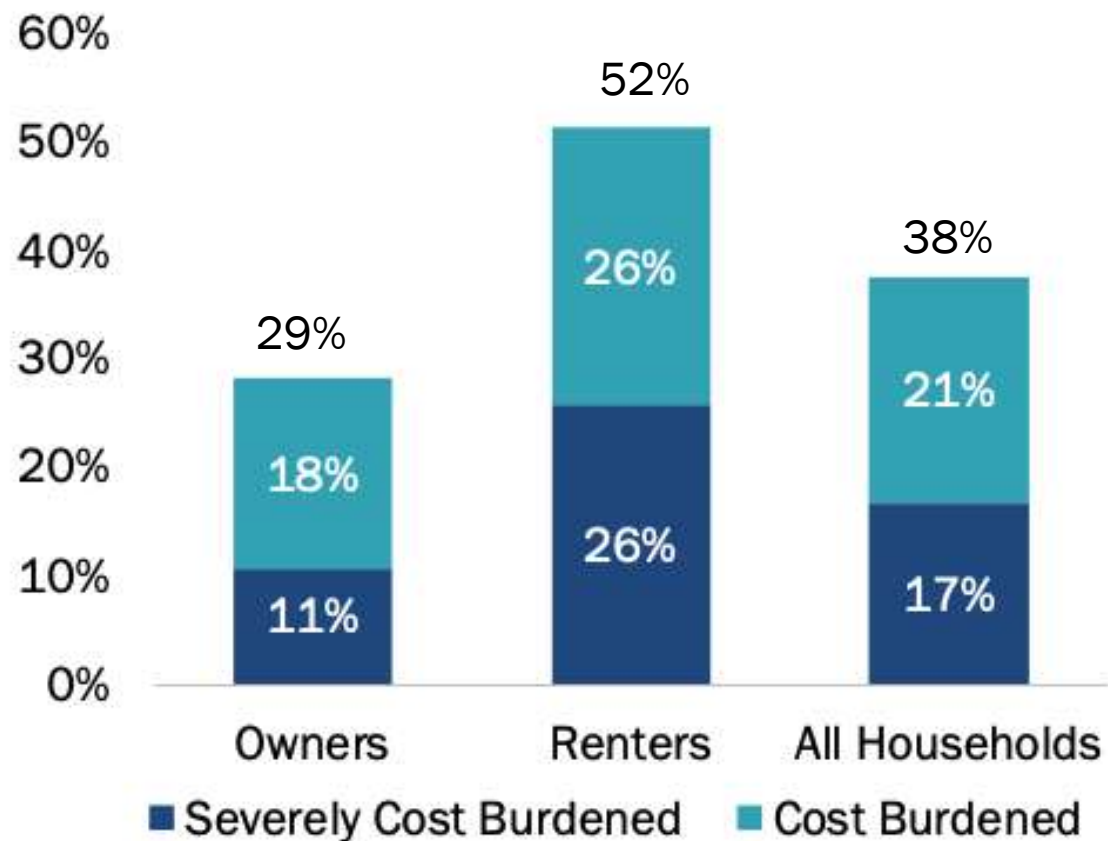
## Cost Burden by Tenure, Tualatin, 2016-2020

**Cost burdened:**

spending more than 30% of income on housing costs

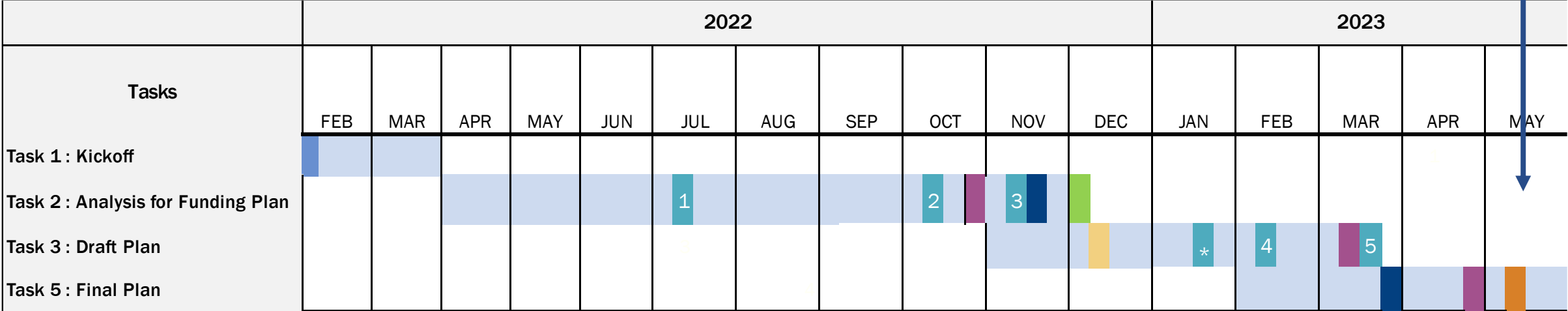
**Severely cost burdened:**

spending more than 50% of income on housing costs



# Project Schedule and Primary Tasks

We are here



- Kickoff Meeting with City Staff
- Ongoing Task
- Planning Commission meeting
- Advisory Committee Meeting
- Draft Product
- Public Workshop
- City Council Meeting
- Final Product

# Housing Funding Plan Summary

# HPS Actions Considered in this Plan

- 5.a Consider development of a Funding Action Plan to implement the HPS with attention to Equity**
  - 1.a Evaluate a Low-Income Housing Property Tax Exemption Program for affordable rental housing
  - 1.b Evaluate changes to Systems Development Charges
  - 1.c Evaluate implementation of a Construction Excise Tax (CET)
  - 1.d Evaluate support for affordable and workforce rental housing as part of Urban Renewal
- 2.a Evaluate impediments to homeownership and their removal
- 4.a Evaluate development of incentives to preserve low-cost rentals for below market-rate privately owned rental housing
- 4.b Evaluate using the Multiple Unit Property Tax Exemption to slow rental cost increases
- 6.a Evaluate ways to incentivize inclusion of Workforce Housing Units within new multifamily rental development
- 8.a Evaluate establishing local housing rehabilitation program

| Construction Excise Tax (CET)   | Urban Renewal Area Revenue  |
|---|---|
| <b>Adds revenue to the City through new local regulation</b>  | <b>Adds revenue in a specific area through tax increment financing</b>  |
| <ul style="list-style-type: none"><li>• <b>What does it do:</b> Levies a tax on new construction to fund housing programs and investments</li><li>• <b>How does it work:</b> Allows cities to collect a 1% tax on permit value of new residential development or higher for commercial/industrial.</li><li>• <b>Our findings:</b> 0.5% to 1% CET on commercial and industrial development may be worthwhile in Tualatin.</li></ul> <p><u>Impact</u></p> <ul style="list-style-type: none"><li>• <b>Estimated to generate \$500,000 in revenue over 5 years for both residential and commercial/industrial CET based on historical permits</b></li></ul> | <ul style="list-style-type: none"><li>• <b>What does it do:</b> Provides local funding for capital projects to support URA plan goals (including housing)</li><li>• <b>How does it work:</b> Uses revenue from tax increment financing (TIF) to make public investments</li><li>• <b>Our findings:</b> Tualatin’s proposed urban renewal area could integrate goals for housing and access TIF dollars.</li></ul> <p><u>Impact</u></p> <ul style="list-style-type: none"><li>• <b>Estimated \$2.5 million available for all uses in the Core Reinvestment Area based on current approximations, undetermined what share would be for housing.</b></li></ul> |



| Multiple Unit Property Tax Exemption <sup>1</sup>  | System Development Charge Exemption   |
|--|---|
| <b>Forgoes revenue to the City for targeted housing type</b>   | <b>Forgoes revenue to the City for targeted housing type</b>  |
| <ul style="list-style-type: none"><li>• <b>What does it do:</b> Provides a partial property tax exemption for private developers of mixed-income housing</li><li>• <b>How does it work:</b> Can exempt only city taxes or all taxing districts if at least 51% of the total tax roll agrees to participate.</li><li>• <b>Our findings:</b> If providing an exemption from all districts, MUPTE could create an incentive for private developers to offer units at or below 80 percent of area median income</li></ul> <p><u>Impact</u></p> <ul style="list-style-type: none"><li>• <b>Estimated to cost \$144,000 for 100 units over 5 years for City taxes only (~16.5% of total) if rents are discounted for 20% of units at 80% AMI level</b></li></ul> | <ul style="list-style-type: none"><li>• <b>What does it do:</b> Reduces upfront development fees for developers who provide new affordable units</li><li>• <b>How does it work:</b> Can exempt City-controlled system development fees for Parks and Water, but not those collected by other service providers</li><li>• <b>Our findings:</b> Tualatin could provide an exemption for its two SDCs only but would likely have to backfill the forgone revenue</li></ul> <p><u>Impact</u></p> <ul style="list-style-type: none"><li>• <b>Estimated to cost approximately \$751,000 for 100 units over 5 years (Parks is a flat rate, but Water is more variable based on meter size)</b></li></ul> |

<sup>1</sup>The City has already implemented the Nonprofit Tax Exemption on its own property taxes, which serves households at or below 60% AMI.

| Down Payment Assistance   | Home Rehabilitation Programs   |
|---|--|
| <b>Provides funding to support homeownership</b>  | <b>Provides funding to stabilize existing residents</b>  |
| <ul style="list-style-type: none"><li>• <b>What does it do:</b> Provides direct assistance to pay for upfront down payment costs for new first-time homebuyers.</li><li>• <b>How does it work:</b> Typically works as a one-time grant or deferred interest loan for homebuyers who meet other necessary qualifications for purchasing a home</li><li>• <b>Our findings:</b> Partnerships with counties and/or nonprofits have been successful in peer cities to cover the high cost of down payment assistance</li></ul> <p><b><u>Impact</u></b></p> <ul style="list-style-type: none"><li>• <b>Estimated to cost \$250,000 to \$1,100,000 for 10 units over 5 years, depending on subsidy granted</b></li></ul> | <ul style="list-style-type: none"><li>• <b>What does it do:</b> Provides direct assistance with home rehabilitation, accessibility improvements, and weatherization for low-income current homeowners.</li><li>• <b>How does it work:</b> Typically functions as a low- or no-interest loan or grant which can be scaled to different types of home repair projects.</li><li>• <b>Our findings:</b> Some programs are already available to Tualatin residents, which could be strengthened and supported through partnerships</li></ul> <p><b><u>Impact</u></b></p> <ul style="list-style-type: none"><li>• <b>Estimated to cost \$750,000 to \$500,000 for 10 units over five years, depending on subsidy granted</b></li></ul> |

# Findings

# Funding Plan Conclusions

- CET could be the largest source of flexible revenue
- Balance funding allocation for potential projects in the Core Reinvestment Area
- Support development of more units affordable to moderate income households through MUPTE
- Support development of more affordable lower-income housing through partner with nonprofit housing developers and operators
- Periodically review the Housing Funding Plan and HPS to evaluate effectiveness and identify changing priorities
- Continue to track additional funding that may become options

- Establish an Oversight Committee:
  - Membership could ensure representation from underrepresented groups
  - Compensating members allows people of diverse backgrounds to participate
- Partner with nonprofits who provide specific support, like cultural outreach
- Develop an equity framework for decision-making process
  - Consider distribution of costs and benefits to low-income residents, seniors, people of color, and other groups with higher housing needs in Tualatin
  - Align with other City projects, such as the Climate Action Plan
  - Periodically review equity framework assumptions

# Explore Additional Funding Sources

- Consider an Affordable Housing Trust Fund to collect and manage housing funds
  - Convene an advisory committee including low-income residents, renters, seniors, people with disabilities, commuters, and POC
- Explore sources for supporting both homeownership and affordable rental housing
  - Federal, state, second round of Metro bond funding

## Advisory Committee Recommendation

- The Advisory Committee unanimously recommended that the City adopt and implement the Equitable Housing Funding Plan

## Council Action

- The City Council is asked to consider the adoption of the Equitable Housing Funding Plan by Resolution No. 5700-23

# **ECON**Northwest

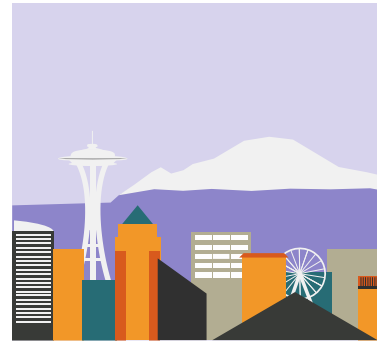
ECONOMICS • FINANCE • PLANNING



Los Angeles



Portland



Seattle



Boise