

DATE: February 1, 2021
TO: City of Tualatin City Council
CC: Steve Koper and Karen Perl Fox
FROM: Beth Goodman, Becky Hewitt, and Sadie DiNatale, ECONorthwest
SUBJECT: Summary of Strategies for the HPS

The Department of Land Conservation and Development contracted ECONorthwest to develop a Housing Production Strategy (HPS) for the City of Tualatin.¹ This memorandum presents a short description of proposed policies and strategic actions that may be included in the HPS. The strategies documented in this memorandum are subject to changes based on discussions with the Tualatin Planning Commission and City Council. This memorandum is an interim deliverable of the project and will later become a section of the final HPS report.

This memorandum presents policy recommendations and a short description of strategic actions to implement the proposed policies. At the February 18, 2021 Planning Commission meeting, we will discuss the policy recommendations and strategic actions to get feedback on each. We will revise the policy recommendations and strategic actions based on feedback from the Planning Commission and City Council (meeting on February 22, 2021).

For the March 18, 2021 Planning Commission meeting, we will bring back the revised policy recommendations and a more detailed version of each strategic action. The final HPS report will include the more information about each strategic action, such as a more detailed description, reason for including it, steps for implementation, and other information.

Draft recommended policies and strategic actions for discussion

The remainder of this memorandum is organized into 12 policies. Each policy includes recommendation for a “package” of actions that the City should take to implement the policy. This package includes recommendations for policies for the City to adopt into the Comprehensive Plan² and an implementation program of strategic actions that relate to that policy.

The “package” of actions are intended to work together to achieve the policies. Removing some strategic actions may make it more difficult to achieve the desired outcomes of the policies. Implementing many of the strategic actions will require building relationships among City staff and with outside organizations and agencies. The critical partnerships will be identified for each strategic action in the final HPS report.

¹ This project is funded by Oregon general fund dollars through the Department of Land Conservation and Development. The contents of this document do not necessarily reflect the views or policies of the State of Oregon.

² Some policies may remain in the Housing Production Strategy document (rather than being adopted into the Comprehensive Plan) but the Housing Production Strategy will be adopted by the City/

Policy 1. Affordable Housing

Policy: Strongly prioritize, encourage and support affordable rental housing development to increase affordable housing for households earning 0-60% Median Family Income.

We recommend that the City adopt the following policy into the Comprehensive Plan:

Strongly prioritize, encourage, support, and promote the development of affordable rental housing for households earning 0-60% Median Family Income.

Implementing this policy will require developing an affordable rental housing program to encourage and support affordable housing development for households earning 0-60% Median Family Income. The strategic actions to implement this program are described below.

Strategic Actions:

- a) Adopt a property tax exemption program for affordable rental housing. Evaluate which of the two available options under state statute (one of which is limited to affordable housing owned/operated by nonprofit organizations) is better suited to the needs of housing providers in Tualatin.
- b) Evaluate options for potential changes to SDCs and TDTs to support development of affordable housing. This strategy could include reducing, deferring, and/or financing System Development Charges (SDCs) at a low interest rate for needed housing types, reducing development costs. However, Tualatin has limited control of SDCs and collects on behalf of other service districts and providers. Parks is the City's only "city-only" SDC, which recently went through an extensive review.
- c) Evaluate implementation of a CET, starting with an analysis of the financial capacity of a CET. A CET could be levied on commercial, industrial, and residential development. Tualatin has limited land for new residential development. If a CET is levied on commercial or industrial development, the City would need to provide a clear use for funds and a nexus to housing for employees at businesses in Tualatin.
- d) Evaluate, develop and promote a Tax Increment Financing (TIF) set-aside of a minimum of 30% for affordable housing development to serve households earning 0-60% Median Family Income, to apply to existing and future urban renewal areas in the City. TIF set-aside funds would also potentially be available for affordable housing units within market rate, mixed-use and mixed-income development.
- e) Evaluate, develop and promote financial resources for local contribution to affordable housing development such as for gap funding and/or for program/project development or to establish or contribute to a Housing Trust Fund Initiative. Consider sources such as foundation grants, private gifts, or other sources.
- f) Identify land potentially suitable for affordable housing acquisition, assemblage or disposition including, but not limited to, surplus and excess land located nearby transit, quality schools, health facilities, parks, shopping and other amenities. City may reach out to agencies, institutions, developers and other property owners that may have excess or surplus land, such as churches, to encourage affordable housing development. (*City to*

consider and determine roles they are able and willing to take in this process, such as acquisition, assemblage, disposition or partnerships.)

- g) Evaluate allowing and supporting development of other housing types in Tualatin that provide affordable housing, such as units designed for multiple unrelated living in the same dwelling with shared kitchen and bathrooms, small scale homes (dwelling units between 100 and 500 square feet), and other innovative small housing types.
- h) Evaluate development codes and processes to identify opportunities to make it easier to develop and build affordable housing. This could include updating the modifications / variance process and requirements, including making allowing modification / variance processes for affordable housing to have a simpler review process than typical, such as not requiring hearings.

Policy 2. Affordable Homeownership

Policy: Encourage and support affordable homeownership to create opportunities for wealth creation.

We recommend that the City adopt the following policy into the Comprehensive Plan:

Encourage and support affordable homeownership education and development to increase equitable opportunities for homeownership and generational wealth creation.

The strategic actions to implement this policy are described below.

Strategic Actions:

- a) Develop a comprehensive review of the impediments to homeownership opportunities and actionable steps to remove those impediments.
- b) Partner with a non-profit homeownership education program, such as the Portland Housing Center and promote the educational opportunities and refer people to the program who are interested.
- c) Partner with a homeownership development organization, such as Habitat for Humanity that develops and constructs affordable homes to own for households earning 0-80% Median Family Income.
- d) Encourage development of diverse affordable rental housing types by allowing and supporting development of other housing types in Tualatin that provide affordable housing, such as units designed for multiple unrelated living in the same dwelling with shared kitchen and bathrooms, small scale homes (dwelling units between 100 and 500 square feet), and other innovative small housing types.

Policy 3. Preservation of Affordable Housing

Policy: Preserve affordable housing to prevent the loss of existing affordable housing units and to prevent resident displacement.

We recommend that the City adopt the following policy into the Comprehensive Plan:

Preserve affordable housing to prevent the loss of existing affordable housing units and to prevent resident displacement.

The strategic actions to implement this policy are described below.

Strategic Actions:

- a) Encourage and support preservation of affordable rental housing for households earning 0-60% Median Family Income. When affordable housing properties are at risk of demolition or conversion to market rate, the City could assist the property owner by identify options to prevent loss of affordable housing units, such as through financial restructuring, extension of second round of Low Income Housing Tax Credits if applicable, or sale of the property to a non-profit affordable housing developer that agrees to long-term (30-60 years) preservation the property.
- b) Develop a Healthy Housing Initiative to address life safety, mold, lead and ventilation issues. This program could be proactive inspection of multifamily properties to identify these types of issues and offer an education component to provide information on how to prevent these issues from developing.

Policy 4. Preservation of Naturally Occurring Affordable Housing (NOAH)
Policy: Preserve naturally occurring affordable housing, where possible, to prevent loss of affordable units and to mitigate for resident displacement.

We recommend that the City adopt the following policy into the Comprehensive Plan:

Preserve naturally occurring affordable housing to prevent loss of affordable units and to prevent and mitigate for resident displacement.

Implementing this policy will require developing a program to preserve “naturally occurring affordable housing” through acquisition, low-interest loans/revolving loan fund for preservation, code enforcement or other approaches. The strategic actions to implement this program are described below.

Strategic Actions:

- a) Establish a tax abatement, low-interest loan program, or other financial incentives for low-cost market rate apartments that agree to make needed improvements (e.g. to address code violations or health/safety issues) without displacing existing residents and/or stabilize or reduce rents.
- b) Evaluate Multi-Unit Property Tax Exemption (MUPTE) as a cost reduction tool in exchange for low-income units with rent increase protections. Housing is subject to a housing contract with a public agency and must show that the exemption is necessary to preserve or establish low-income units. Exemption is for 10 years (set in statute, not by city) accept that low-income housing can be extended for as long as the housing is subject to a public assistance contract.

Policy 5. Racial and Social Equity for Housing

Policy: Implement all housing policies, projects, programs and partnerships through a racial and social equity Lens.

We recommend that the City adopt the following policies into the Comprehensive Plan:

Implement all City housing policies through a racial and social equity lens, which recognizes historical inequities in housing to underserved communities and aims to rectify inequities going forward by establishing an equitable housing program and a measurable action plan toward equitable housing.

City of Tualatin affirmatively furthers access to decent, affordable housing with convenient access to the services and destinations Oregonians need to thrive without regard to their race, ethnicity, color, religion, national origin, sex, familial status, mental or physical disability, source of legally-derived income, marital status, sexual orientation or gender identity.

Promote access to opportunity by encouraging and supporting affordable housing, workforce housing and mixed use housing that meets the cultural needs of diverse populations by providing multiple unit sizes, types and tenure options in high opportunity areas.

The strategic actions to implement this policy are described below.

Strategic Actions:

- a) Develop an equitable housing plan. The plan could include, for example, initial steps, action plan with goals and a method to measure progress to achieve more equitable housing and continuously examine ways to make improvements to the housing system to achieve equity.
- b) Identify impediments to Fair Housing and create an Analysis of Impediments.
- c) Ensure there are opportunities for education about fair housing to residents, property owners, property managers, and those involved in real estate transactions. Conduct fair housing training for Council, Planning Commission, and other relevant policymakers and staff.
- d) Encourage development of diverse housing types in high opportunity neighborhoods, , with a goal of reversing historical patterns of racial, ethnic, cultural and socio-economic exclusion.

Policy 6. Workforce Housing

Policy: Encourage, plan for, and support the development of workforce housing for households earning 61%-80% Median Family Income, for both owner and renter, in order to increase the jobs-housing balance, reduce commute time and provide attainable housing for workers in Tualatin.

We recommend that the City adopt the following policies into the Comprehensive Plan:

Encourage, plan for, and support the development of workforce owner and rental housing, 61-80% Median Family Income to increase the jobs-housing balance, reduce commute time and provide attainable housing for workers in Tualatin.

The strategic actions to implement this policy are described below.

Strategic Actions:

- a) Establish a tax abatement for new multifamily development that includes a portion of units affordable at between 61 and 80% of MFI under the Multiple Unit Property Tax Exemption program.
- b) Identify opportunities to partner with or support employers interested in developing an employer-assisted housing program.
- c) Evaluate potential partnerships with organization(s) to establish a land bank for affordable housing, workforce housing and/or mixed use housing or combination of these types.

Policy 7. Housing Stabilization

Policy: Prevent and address homelessness to provide for safe living conditions for everyone living in Tualatin.

We recommend that the City adopt the following policy into the Comprehensive Plan:

Prevent and address homelessness to provide for safe living conditions for everyone living in Tualatin.

The strategic actions to implement this policy are described below.

Strategic Actions:

- a) Develop a rental and utility assistance partnership to stabilize households with incomes between 0% to 80% of MFI.
- b) Evaluate partnerships, programs or opportunities to rapidly rehouse people experiencing homelessness.

Policy 8. Housing Rehabilitation

Plan for and support housing programs and initiatives that are responsive to the safety and health needs of households earning 0-80% of Median Family Income.

We recommend that the City adopt the following policy into the Comprehensive Plan:

Plan for and support housing programs and initiatives that are responsive to the safety and health needs of households earning 0-80% of Median Family Income.

Implementing this policy will require researching, evaluating, and developing a housing rehabilitation program, for both ownership and rental housing, suitable for Tualatin. The strategic actions to implement this program are described below.

Strategic Actions:

- a) Establish and develop a local housing rehabilitation program to improve housing safety and health conditions for households earning 80% or less of the Median Family Income. The program may offer incentives to support rehabilitation for owner-occupied units of households earning 80% or less of Median Family Income to make needed repairs or maintenance to the home, such as a low interest revolving loan fund or rehab right program. Evaluate adding a weatherization component to this program or partnering with an existing weatherization program.
- b) Develop a Healthy Housing Initiative to address life safety, mold, lead and ventilation issues for single-family housing. This program could be proactive inspection of single-family properties to identify these types of issues. In addition, this program can include an education component to provide information on how to prevent these issues from developing.

Policy 9. Accessible Design and Other Specialized Design

Policy: Encourage and support Universal Design, Lifelong Housing Certification, and other similar standards.

We recommend that the City adopt the following policy into the Comprehensive Plan:

Encourage and support Universal Design, Lifelong Housing Certification, and other similar standards.

The strategic actions to implement this program are described below.

Strategic Actions:

- a) Research, evaluate, and develop standards in the City's development code to increase development of housing accessible for people with disabilities and other populations that need housing with specialized design.
- b) Evaluate providing incentives in the development code to increase the number of housing units designed to meet Universal Design, Lifelong Housing Certification, and other similar standards.

Policy 10. Mixed Use Housing and Redevelopment

Policy: Encourage and support development of mixed-use, mixed-income and multifamily housing in commercial zones and urban renewal areas for households earning between 0-80% Median Family Income.

We recommend that the City adopt the following policy into the Comprehensive Plan:

Encourage and support development of mixed-use, mixed-income and multifamily housing in commercial zones and urban renewal areas for households earning 0-80% or less of Median Family Income.

This policy may include affordable housing, 0-60% or less of Median Family Income and/or workforce housing, 61%-80% or less of Median Family Income.

The strategic actions to implement this program are described below.

Strategic Actions:

- a) Identify and evaluate opportunities to rezone commercial or industrial land for mixed-use that includes employment and residential uses.
- b) Identify and evaluate underutilized commercial areas ripe for mixed-use or mixed-income redevelopment.
- c) Identify and evaluate opportunities to redevelop to create mixed-use districts and initiate an area planning process to guide development.
- d) Identify and evaluate opportunities for housing above ground floor retail and change the development code to allow more housing above ground floor retail in commercial areas. In addition, consider opportunities for conversion of some ground floor retail to allow housing on the ground floor.
- e) Identify, evaluate and promote financial incentives for developers of mixed-use housing. Evaluate the Vertical Housing Development Zone Program with zone proposed to be located in the urban renewal districts' commercial, residential or mixed use zones.

Policy 11. Regulatory and Zoning Changes

Policy: Increase housing development opportunities through regulatory and zoning changes to accommodate a diverse range of housing types and price points to meet the housing needs in Tualatin.

We recommend that the City adopt the following policy into the Comprehensive Plan:

Increase housing development opportunities through regulatory and zoning changes to accommodate a diverse range of housing types and price points to meet Tualatin's housing needs as identified in the most currently adopted Housing Needs Analysis.

The strategic actions to implement this program are described below.

Strategic Actions:

- a) Existing densities for multifamily are too low to allow for efficient development of the type of housing the zones are intended to allow for. Consider increasing maximum densities and revising other standards, including maximum lot coverage and minimum front setbacks, to allow for more efficient multifamily development in zones that allow it outright (High Density, High Density High-Rise, Medium Density High, and Medium Density Low).
- b) Evaluate opportunities to re-zone Residential Low Density and Residential Medium Low-Density residential land for higher-density housing in selected areas.
- c) Evaluate off-street parking requirements for multifamily housing to identify opportunities for reduction in parking requirements. Tualatin could consider allowing reduction of parking requirements near transit and for affordable housing with tenants who generally own fewer cars, like seniors. In addition, the City should consider

allowing public on-street parking in ROW within a certain radius to count towards off-street parking requirements.

- d) Tualatin should consider small scale units with affordable housing income limits, that is not part of HB 2001 by allowing land division where small lots or parcels are created below the standard lot/parcel size for dwelling units that are limited in size. Tualatin should consider this in the context of new cottage cluster regulations because this development type would be similar to cottage cluster development. This would involve calculating density differently for the dwelling units due to their limited size. For example:
 - a. Dwelling units 600 square feet or smaller: 0.25 of a dwelling unit.
 - b. Dwelling units 601 to 1,200 square feet: 0.50 of a dwelling unit.
- e) Expedite permitting to help reduce costs and financial vulnerabilities of development and construction of affordable housing.
- f) Provide additional information to developers of needed housing. The City informally provides information to small, local developers to help them understand land use permitting processes and to give developers a sense of clarity and certainty about the requirements so they can better provide smaller scale housing at an affordable level. The City could create a formal process to provide this information to include all housing developers, especially aimed at those that can produce housing affordable at 80% of MFI and below.
- g) Determine whether the City will need to add staff to implement the policies in the housing production strategy.

Policy 12. Transportation and Public Infrastructure

Policy: Plan for and develop transportation and public infrastructure to support affordable housing, workforce housing, mixed use housing and mixed income housing.

We recommend that the City adopt the following policy into the Comprehensive Plan:

Plan for and develop transportation and public infrastructure to support affordable housing, workforce housing and mixed-use housing.

The strategic actions to implement this program are described below.

Strategic Actions:

- a) Evaluate increasing density near transit stations with higher levels of density near high capacity/high frequency stations, and considering stepping back into residential areas with automatically up zone to land near transit stations and transportation corridor. Metro TOD Grants could be applied for as funding resource.
- b) Prioritize capital improvements programming for affordable housing, workforce housing and mixed use housing with a component that includes a specified percentage of units for each of these types of housing..