



## CITY COUNCIL WORK SESSION STAFF REPORT

<b>Meeting Date:</b> March 7, 2022		<b>Subject:</b> Frog Pond East and South Master Plan	
		<b>Staff Member:</b> Daniel Pauly, Planning Manager	
		<b>Department:</b> Community Development	
<b>Action Required</b>		<b>Advisory Board/Commission Recommendation</b>	
<input type="checkbox"/> Motion <input type="checkbox"/> Public Hearing Date: <input type="checkbox"/> Ordinance 1 <sup>st</sup> Reading Date: <input type="checkbox"/> Ordinance 2 <sup>nd</sup> Reading Date: <input type="checkbox"/> Resolution <input checked="" type="checkbox"/> Information or Direction <input type="checkbox"/> Information Only <input type="checkbox"/> Council Direction <input type="checkbox"/> Consent Agenda		<input type="checkbox"/> Approval <input type="checkbox"/> Denial <input type="checkbox"/> None Forwarded <input type="checkbox"/> Not Applicable  <b>Comments:</b> The Planning Commission provided a substantial amount of guidance during their February 9 meeting, which is incorporated into the executive summary below.	
<b>Staff Recommendation:</b> Provide requested input regarding affordable housing, accessory dwelling units, and a neighborhood commercial center in the future Frog Pond East and South neighborhoods.			
<b>Recommended Language for Motion:</b> N/A			
<b>Project / Issue Relates To:</b>			
<input checked="" type="checkbox"/> Council Goals/Priorities: Expand home ownership	<input checked="" type="checkbox"/> Adopted Master Plan(s): Frog Pond Area Plan	<input type="checkbox"/> Not Applicable	

### ISSUE BEFORE CITY COUNCIL:

Provide feedback and input on components of the master planning for Frog Pond East and South, specifically regarding affordable housing, accessory dwelling units, and evaluating a neighborhood commercial center. In using the term affordable housing in this context, staff is referring broadly to both market-rate housing that is economically attainable for moderate-income households as well as housing that is subsidized for lower-income households. Where the report refers to a specific sub-set of affordable housing it is indicated.

## **EXECUTIVE SUMMARY:**

Following designation of the subject land as an urban reserve in 2010, the City adopted the Frog Pond Area Plan in 2015 to set the stage for additional planning and eventual development to meet identified local housing needs. Besides the urban reserve area, the Frog Pond Area Plan also established a vision for growth for undeveloped land already within the City's Urban Growth Boundary (UGB) now known as Frog Pond West. In 2017, a Master Plan and implementing zoning code was adopted for Frog Pond West. The Master Plan provided the necessary regulatory framework for the residential neighborhood currently under development north of Boeckman Road and west of Stafford Road.

In 2018, Metro expanded the UGB to include the subject land. As part of the Metro Ordinance adopting the UGB expansion, Metro required Wilsonville to complete master planning to make the area development ready, from a regulatory standpoint, by December 2022. Similar to past master planning efforts, such as Villebois and Frog Pond West, this master planning effort will identify the types and locations of the homes, other land uses, parks, open spaces, streets, trails and neighborhood amenities to be built over the next 10-20 years. To support implementation of the plan, the process also identifies water, sewer, stormwater and transportation infrastructure needs and funding sources.

The City Council held their first work session on the master plan in October 2021 focusing on overall project scope and the outreach plan. A second work session in January 2022 asked for initial feedback on the needs and opportunities for affordable housing and housing variety in Frog Pond East and South. The March 7 work session returns to the topic of housing needs in order to obtain further direction from Council following review of the Affordable Housing Analysis (Attachment 1) and Planning Commission feedback. While housing will be the main topic of discussion for this third work session, the project team also seeks initial feedback on an evaluation of a neighborhood commercial center.

## **Housing**

As discussed in the previous work session, the affordable housing efforts as part of the Frog Pond East and South Master Plan build upon the Equitable Housing Strategic Plan (EHSP) adopted by the City in June 2020. The EHSP includes a specific action item to define equitable housing approaches in new urban growth areas. The summary of the action item further explains, *"As part of the master planning requirements for Frog Pond East and South, the City will establish goals or targets for accessibility to services/amenities, unit types, and unit affordability levels. The targets for affordability levels (number of units and depth of affordability for those units) should be reasonably achievable, allowing for sufficient market-rate development to support key infrastructure investments. This approach will provide a methodology and framework that can be applied in other growth areas beyond Frog Pond."*

The Affordable Housing Analysis (Attachment 1) for Frog Pond East and South provides an important tool in fulfilling this action item by presenting information and analysis to assist City decision-makers in setting an informed affordability target for the planning area. This work session will allow the City Council to provide feedback on the analysis and guidance to the project team on the target the City should pursue in Frog Pond East and South.

The conclusion of the analysis proposes an affordable housing target in Frog Pond East and South affordable for households with incomes under 80% median family income (MFI). This is significantly lower than the proportion of the City and region's household makeup at this income level (see Section 5, Attachment 1, beginning on page 11). The expected market-rate demand for the land, coupled with the cost to develop the land, limits the ability of the City and affordable housing providers to purchase or control sites for affordable housing. This reinforces the multi-pronged approach to affordable housing citywide as presented in the EHSP. The City needs to take a variety of actions which individually do not make huge impacts on the housing crisis, but collectively add up to significant progress. Examples of other equitable housing efforts the City has made progress on include the Middle Housing Project, vertical housing tax abatements, and the transit oriented development (TOD) project near the WES Station.

One important factor for the affordable housing target is affordable home ownership, as reflected in the current City Council goals and in comments by the City Council at the January work session. The Affordable Housing Analysis discusses a number of barriers and opportunities to support home ownership for households at different levels of income below 80% MFI. Barriers, beyond those applying to all affordable housing, include a lack of funding, especially federal, for ownership compared to rental programs; difficulty qualifying for mortgages, even with government support, for many households with incomes below 60% MFI; as well as legal and construction financing barriers to condos and co-op housing construction, which are housing types that would likely be most attainable for first-time homebuyers and households with incomes 60-80% MFI. As noted in the analysis, these are difficult barriers to overcome in the short to medium term and are generally beyond the City's control.

Opportunities noted include partnering with home ownership support programs such as community land trusts or Habitat for Humanity and the Homebuyers Opportunity Limited Tax Exemption (HOLTE) program. Additional strategies for the City's consideration that are likely to have the greatest impact in producing housing affordable for low to moderate income households for Frog Pond East and South, include:

- Zone for all housing types
- Acquire land for affordable housing
- Partner with a community land trust
- Waive, reduce, or defer system development charges (SDCs) for income-restricted affordable units
- Incentivize smaller and lower-cost middle housing
- Reduce multi-family parking requirements
- Incentivize housing with accessible or visitable units

Following review of the Affordable Housing Analysis during the February 9 work session, Planning Commission provided feedback for City Council consideration as follows:

- Some Commissioners expressed a desire to see more affordable housing, but Commissioners generally felt the discussed target was the right direction to be both assertive and “reasonably achievable.”
- Commissioners acknowledged land cost is an important consideration in achievability of an affordable housing target.
- Commissioners commented on how the proposed target requires the City to do things it has not done before related to land control and other housing programs. The Commissioners inquired about the need for a City-wide housing program.
- Commissioners suggested the City needs to focus on what it must do to enable the discussed target to be met.
- Commissioners expressed a desire for housing not to be isolated by type, but to have mixed income neighborhoods and blocks throughout Frog Pond East and South.
- Commissioners stated multi-family rental housing is necessary to meet affordable housing targets and meet needs.
- A Commissioner suggested it would be helpful to compare the proposed target with the amount of affordable housing produced in Villebois.
- The Commission supported the list of strategies in the Affordable Housing Analysis.

Another strategy with the potential to provide affordable housing is the production of accessory dwelling units (ADUs). This includes affordable ownership opportunities, because the code updates adopted with the Middle Housing Project allow ADUs to be sold separately from the primary dwelling without going through a condo process. As the accessory dwelling unit memo (Attachment 2) outlines, the City already has policies in place in support of ADUs, including broad allowance of ADUs and waivers of SDC fees. The memo lists the following additional regulatory actions to explore that could further encourage ADU production in Frog Pond East and South and/or elsewhere in the City. City staff has not yet evaluated the feasibility of these actions, but would like the City Council’s feedback on whether to pursue further evaluation and feasibility investigation.

- Provide additional flexibility and exemptions to lot coverage and setbacks for ADUs.
- Allow ADUs with townhouses regardless of lot size. Currently the City code only allows ADUs with townhouses if the townhouse lot meets the minimum lot size for detached single-family units in the zone.
- Allow larger ADUs to provide more options for developers. Example changes could be to match the cottage cluster size of 900 square feet or slightly larger 1,000 square feet. The sizes are still less than would be built as typical single-unit on lot development or 2-unit cluster. However, 800 square feet is a limit consistent across many Oregon jurisdictions.

During their February 9 work session, the Planning Commission generally expressed support of ADUs. This included general support of being more permissive of ADUs integrated into the typical footprint of (i.e. ground floor ADU with a two-story larger unit above). There was some openness to looking at setback changes, but such changes should be specific and strategic. No strong preferences were expressed about expanding the allowed size of ADUs

#### Discussion questions

1. Does the City Council support an affordable housing target in line with that presented in the Affordable Housing Analysis memo? Is it reasonably achievable?
  - If yes, what refinements or additional guidance would the Council suggest?
  - If no, what affordable housing target would the Council recommend and why?
2. Does the proposed affordable housing target appropriately balance affordable rental and ownership opportunities based on what we know about available financing programs and other restraints?
3. Does the City Council agree the proposed affordable housing strategies help achieve desired housing outcomes and should be further pursued (Section 6, Attachment 1, beginning on page 21)? What is City Council's guidance, if any, for further refining these strategies?
4. Should the City pursue and refine any or all of the additional regulatory actions related to ADUs listed in Attachment 2? Are there any concerns with these actions?

#### **Neighborhood Commercial (Preliminary Feedback)**

The 2015 Frog Pond Area Plan presented the idea of a neighborhood commercial center in Frog Pond East. Part of the scope of the Frog Pond East and South Master Plan is to further evaluate a neighborhood commercial center. The evaluation includes size, location, types of potential retail, and whether to have residential above the retail. The Area Plan specifically calls for the location and level of mixed-use residential to be further evaluated. The size and type of retail is also necessary to evaluate to identify the amount of land to designate for this use in the plan. The Neighborhood Commercial Evaluation: Initial Feedback slide deck (Attachment 3) provides background and an overview of the intended evaluation.

At their February 9 work session, Planning Commission offered a few initial thoughts on the commercial center. The Commission expressed benefits of pass-by traffic and a desire for it to be located near and accessible to existing homes, and thus, a general preference for the corner location at Advance and Stafford. They remarked the importance of traffic and access considerations. Overall, the Planning Commission expressed a desire to make a thorough evaluation to make sure the neighborhood commercial center is done right.

The project team has the following questions for the City Council to get initial feedback and direction as the evaluation begins. The next City Council work session in May will provide more information and solicit additional feedback.

Discussion questions:

1. What thoughts does the City Council have on overall purpose and vision of the commercial center to provide small scale retail and be a community gathering place? Anything the City Council would suggest adding?
2. The location at the corner of Advance and Stafford is not set. What thoughts does the Council have about location of the commercial center? What should be considered in determining planned location?
3. What additional items does the City Council want included in the upcoming commercial center evaluation beyond (1) location, (2) size of retail, (3) type of retail, and (4) evaluation of mixed-use residential with retail?

**EXPECTED RESULTS:**

City Council guidance on affordable housing in Frog Pond East and South to guide development of land use alternatives and exploration of affordable housing strategies. Also, initial City Council guidance on planning work around a neighborhood commercial center in Frog Pond East and South.

**TIMELINE:**

This is the third in a series of work sessions for the City Council. The next work session is planned for May. Most components of the project must be adopted by December 2022.

**CURRENT YEAR BUDGET IMPACTS:**

The main consultant contract is for \$350,000 funded through a Metro grant. An additional \$81,000 is funded by a grant from the Oregon Department of Land Conservation and Development. Work began during FY 20/21. Unused portions have been rolled over and the City anticipates spending \$170,000 by the end of FY 21/22. The remaining \$261,000 is planned to be budgeted during FY 22/23 to conclude the project.

**COMMUNITY INVOLVEMENT PROCESS:**

The project has a community engagement plan which lays out a robust public engagement program that will include meaningful and impactful involvement of people who identify with historically marginalized communities. In addition, City staff continues work with consultants and the Diversity, Equity and Inclusion (DEI) committee to establish a framework for broad community involvement.

**POTENTIAL IMPACTS OR BENEFIT TO THE COMMUNITY:**

Well-designed neighborhoods with a variety of housing options for current and future Wilsonville residents.

**ALTERNATIVES:**

At this early point in the project, the City Council may provide a range of alternatives for the project team to consider.

**CITY MANAGER COMMENT:**

N/A

**ATTACHMENTS:**

1. Affordable Housing Analysis Memo from EcoNorthwest (January 31, 2022)
2. Accessory Dwelling Unit Memo from EcoNorthwest (January 31, 2022)
3. Neighborhood Commercial Evaluation: Initial Feedback slide deck on neighborhood commercial evaluation (January 31, 2022)