



CITY COUNCIL MEETING STAFF REPORT

Meeting Date: February 24, 2022		Subject: Vertical Housing Development Zones (VHDZ)	
		Staff Members: Kimberly Rybold, AICP, Senior Planner and Matt Lorenzen, Economic Development Manager	
		Department: Community Development	
Action Required		Advisory Board/Commission Recommendation	
<input type="checkbox"/> Motion <input type="checkbox"/> Public Hearing Date: <input type="checkbox"/> Ordinance 1 st Reading Date: <input type="checkbox"/> Ordinance 2 nd 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 checked="" type="checkbox"/> Not Applicable Comments: N/A	
Staff Recommendation: Confirm draft local Vertical Housing Development Zone criteria.			
Recommended Language for Motion: N/A			
Project / Issue Relates To:			
<input checked="" type="checkbox"/> Council Goals/Priorities: Equitable Housing Strategic Plan Implementation	<input checked="" type="checkbox"/> Adopted Master Plan(s): Villebois Village Master Plan, Town Center Plan	<input type="checkbox"/> Not Applicable	

ISSUE BEFORE COUNCIL:

The project team will share draft local criteria to promote active ground floor uses in future Vertical Housing Development Zones in Wilsonville.

EXECUTIVE SUMMARY:

A Vertical Housing Development Zone (VHDZ) offers a partial property tax exemption on building improvement value for mixed-use developments that include housing with non-residential use on the ground floor. The amount of tax exemption increases based on the number of residential floors above the ground floor of the project. The partial abatement lasts for a period of 10 years, beginning with the first tax year in which, as of the assessment date, the project is occupied or ready for occupancy following its approval by the City.

Two recent planning processes, the Town Center Plan and Equitable Housing Strategic Plan, identified the use of VHDZ as a tool to incentivize multi-story, mixed-use development in specific locations in Wilsonville. The 2019 Town Center Plan included a short-term implementation action (ED.10 – Consider Adopting a VHDZ) to explore locations in Town Center where this may be a suitable tool to help achieve the Plan’s goals by stimulating targeted construction of vertical mixed-use buildings. The 2020 Equitable Housing Strategic Plan included VHDZ as one of the tax abatements to explore (Action 1D: Create Housing Tax Abatement Programs to Achieve Housing Diversity and Affordability) to promote the development of housing with access to services and amenities in the Villebois Village Center and Town Center.

At the November 15, 2021 work session, the project team shared a research memo summarizing conversations with the three cities in the Portland region that have adopted VHDZ programs with some local criteria (Tigard, Milwaukie, and Beaverton) to get input on which criteria would be best suited to address Council’s prior direction to ensure that eligible VHDZ projects provide active ground floor spaces that will be accessible to the public. Based on the findings, City Council supported the recommended list of criteria the City could use to further define VHDZ project eligibility, which included the following:

- Design criteria for qualified commercial spaces, including direct entrances to the street, and a requirement for staff review and approval that the design meets the criteria.
- Specific live/work design criteria and limits on how much of the required non-residential floor area can be met through live/work space in a project.
- A requirement for policy consistency with adopted plans for each area, to be verified by staff at the time of application.

State statute identifies the following minimum eligibility requirements for ground floor nonresidential uses:

- At least 50 percent of the project’s ground floor that fronts on the primary public street must be committed to nonresidential use. If a project has access to only one public street, the square footage of driveways, loading docks, bike storage, garbage receptacles and building entryways shall be excluded before applying the 50 percent test.
- For the project’s ground floor to be considered committed to nonresidential use, all ground floor interior spaces that front on the primary public street must be constructed to building code standards for commercial use or planned for commercial use upon completion.

The draft local criteria (Attachment 1) reflect prior Council guidance and further define qualified nonresidential space as follows:

- In addition to providing a direct entrance from the street to each qualified space, the ground floor must meet all applicable building design standards for commercial/mixed-use ground floor spaces and storefront design as required by adopted Master Plans or the Development Code. Since both the Village Center Architectural Standards and Town Center Zone regulations contain design standards that address elements such as ground floor height and exterior design, façade windows, awnings/covered entrances, and storefront design for commercial/mixed-use space, requiring adherence to these standards will ensure that eligible projects are designed to support ground floor activity.
- Spaces designed for the exclusive use of residents and their guests, such as lobbies, fitness rooms, and other resident amenities, are not considered “nonresidential” for the purpose of determining a project’s compliance with the 50 percent nonresidential use requirement along the primary public street frontage of a building.
- Spaces meeting the Building Code definition of a live/work unit must be designed in a manner that ensures visibility and accessibility from the street frontage. The draft criteria require the nonresidential portion of the unit to be adjacent to and accessible from the entrance to the primary public street, and require that this area is or can be separated from the residential portion of the unit. Only the portion of the unit designed for nonresidential use may count towards the 50 percent nonresidential use requirement
- Instead of creating a percentage cap on the use of live/work units to meet the 50 percent nonresidential use requirement, the draft criteria require a minimum of one nonresidential tenant space per building that is specifically *not* live-work. This ensures that leasable spaces are created regardless of the overall building footprint, while allowing for a broader range of active ground floor uses, such as community meeting rooms or pop-up libraries that are publicly accessible. It also allows the zoning code, the market, and the developer to determine how to most efficiently allocate the balance of the nonresidential space on the ground floor, while maintaining VHDZ eligibility.
- Projects must demonstrate consistency with goals, policies, and/or objectives in applicable adopted plans for the project site, to the City's satisfaction. This will allow staff to exercise discretion in determining that proposed VHDZ projects meet eligibility requirements.

At this work session, the project team seeks confirmation that the City should adopt the attached draft local criteria as part of the City’s VHDZ program. Based on City Council direction, the project team will move forward with the adoption process to establish VHDZ in the Villebois Village Center and in Town Center.

EXPECTED RESULTS:

City Council will confirm the draft local criteria for eligible VHDZ projects.

TIMELINE:

Pending City Council direction, the City will send required notices and prepare documentation to implement VHDZ, with adoption anticipated in May 2022.

CURRENT YEAR BUDGET IMPACTS:

Total project scope is approximately \$45,000. Funding for consultant services will be partially funded by professional services funds from the Planning Division budget, supplemented by funding from CIP project #3004 for Town Center related VHDZ work. The amended budget for FY2021-22 includes approximately \$280,000 for Town Center Implementation. Staff time will be required to create and administer the VHDZ program.

FINANCIAL REVIEW:

Reviewed by: KAK Date: 2/7/2022

LEGAL REVIEW:

Reviewed by: BAJ Date: 2/10/2022

COMMUNITY INVOLVEMENT PROCESS:

The Town Center Plan included a robust and inclusive public outreach process where VHDZ was identified as an implementation action. The priorities identified in the Equitable Housing Strategic Plan, including tax abatements for housing, were generated through a community input process that included focus groups, surveys, and Task Force input. Any mixed-use development qualifying for VHDZ will go through the typical City development review process before the Development Review Board, which allows for public comment from residents, neighbors and property owners. Adoption of the City’s VHDZ program will occur through a public process that welcomes input from citizens and taxing districts.

POTENTIAL IMPACTS OR BENEFIT TO THE COMMUNITY:

Adoption of VHDZ would provide a targeted incentive for active and publicly accessible ground-floor uses to support the community’s vision for more vibrant, walkable, mixed-use places as called for in the Villebois Village Master Plan and Town Center Plan. Ultimately, adoption of VHDZ can create long-term community wealth through the construction of mixed-use buildings that will be fully taxed after the partial abatement ends.

ALTERNATIVES:

City Council can request modifications to the draft local criteria prior to adoption of a VHDZ program or recommend adoption of VHDZ with only the State statutory requirements.

CITY MANAGER COMMENT:

N/A

ATTACHMENT:

1. Wilsonville VHDZ – Local Criteria Language: January 2022