

DATE: December 1, 2021  
TO: Hood River Affordable Housing Production Strategy Advisory Community Task Force  
CC: Jennifer Kaden, Dustin Nilsen and Will Norris  
SUBJECT: Hood River AHPS – Draft Affordable Housing Initiatives

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The City of Hood River is developing an Affordable Housing Production Strategy (AHPS). In the September and October meetings of the AHPS Advisory Community Task Force, we discussed potential strategies for inclusion in the AHPS report. At the October Task Force meeting, the Task Force provided specific feedback about the types of strategies that are necessary to support production of affordable housing in Hood River.<sup>1</sup>

Based on that feedback, the AHPS Project Management Team has outlined a set of four initiatives that it will implement as part of its AHPS (Exhibit 1). Each of these initiatives includes a set of potential city-led strategies, funding sources, and potential partnerships with other entities that help to achieve an overarching goal.

For the December Task Force meeting, the AHPS Project Management Team is seeking input from the Task Force about these initiatives and the strategies in each of the initiatives.

- Do the initiatives cover the broad categories of unmet need for affordable housing? Are there any significant gaps in the initiatives?
- Does each initiative include the necessary strategies, funding options, and partnerships to support production of the intended types of housing?
- Are we missing anything that you think is important to include in the AHPS, in terms of strategies?

At the December Task Force meeting, we will discuss initiatives with the Task Force. Based on input from the Task Force, as well as focus groups that the AHPS Project Management Team will be conducting in December and January, we will revise the initiatives and develop a draft of the Affordable Housing Production Strategy report. That report will be the subject of discussion at the February Task Force meeting.

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<sup>1</sup> Affordable housing is defined broadly as housing affordable to a household with an income of 120% or less of Hood River's Median Family Income. That is an annual income of \$92,160 for a family of four and a monthly affordable housing cost of \$2,310. The AHPS provides more fine grained levels of affordable housing, as discussed in this memorandum.

# Housing Production Strategy Initiatives

Exhibit 1 presents a summary of the four initiatives, which are discussed in more detail in the remainder of this memorandum.

**Exhibit 1. Hood River Affordable Housing Production Initiatives**

	Desired Outcomes	For households with income of...	Key Strategies
#1	Explore opportunities for affordable homeownership	<b>60-120% MFI</b> (\$46,080 - \$92,160 per year) <sup>2</sup>  <i>Affordable housing costs</i> (\$1,150 - \$2,310 per month)	<ul style="list-style-type: none"> <li>• Homebuyer Opportunity Limited Tax Exemption</li> <li>• Land Banking</li> <li>• Infrastructure and Project Subsidies</li> </ul>
#2	Remove barriers to producing moderate income rental housing	<b>60-120% MFI</b> (\$46,080 - \$92,160 per year)  <i>Affordable housing costs</i> (\$1,150 - \$2,310 per month)	<ul style="list-style-type: none"> <li>• Multiple Unit Property Tax Exemption</li> <li>• Land Banking</li> <li>• Infrastructure and Project Subsidies</li> </ul>
#3	Encourage the production of new regulated affordable housing units	<b>Less than 60% MFI</b> (Less than \$46,080 per year)  <i>Affordable housing costs</i> (Less than \$1,150 per month)	<ul style="list-style-type: none"> <li>• Nonprofit Low Income Limited Housing Tax Exemption</li> <li>• Infrastructure and Project Subsidies</li> <li>• SDC Deferrals/Subsidies</li> <li>• Land Banking</li> </ul>
#4	Preserve existing low-cost market rate housing units	<b>60-80% MFI</b> (\$46,080 - \$61,440 per year)  <i>Affordable housing costs</i> (\$1,150 - \$1,540 per month)	<ul style="list-style-type: none"> <li>• Housing Rehab/Preservation Investments</li> <li>• Tax Abatements</li> </ul>

For the most part, the key strategies, including the funding strategies, are described in the ECONorthwest memorandum titled “Example Housing Strategies and Actions” dated 10/6/2021. The exception is the “Citywide Affordable Housing Ordinance,” detailed on the following page.

<sup>2</sup> These estimates of income are for a family of four. Median income varies by household size. For example, 120% of MFI for a single-person household is \$64,510 and 120% of MFI for a family of six people is \$106,900.

# Citywide Affordable Housing Ordinance

Feedback from the Task Force and City staff experience with affordable housing development suggests that there are regulatory barriers to developing affordable housing that should be addressed, in addition to the incentives and funding options discussed in this memorandum. The Project Management Team (PMT) is evaluating whether a citywide ordinance would respond to feedback about regulatory barriers to affordable housing development. It would be modeled after and respond to Senate Bill 8, passed in the 2021 Legislative session, but tailored to fit Hood River's circumstances.

Senate Bill 8 applies to all Oregon cities, including Hood River, and requires cities to approve affordable housing development, with specific density and height bonuses, some of which are represent significant departures from Hood River's current land use code.<sup>34</sup> For example, Senate Bill 8 could result in allowing residential buildings in the C-2 zone as tall as 71 feet (more than twice the height currently allowed for residential development).

A local Affordable Housing Ordinance could be used to expedite the review and approval of affordable housing development in Hood River, subject to clear and objective development standards. Such an ordinance could provide incentive for developers to propose projects that better fit development patterns in Hood River and deemphasize the appeal of using Senate Bill 8. The Affordable Housing Ordinance would permit affordable housing as a use by right without required public notice or public hearing, similar to the process used to review housing developed using the Middle Housing Code or to review building permits for single unit dwellings or duplexes.

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<sup>3</sup> The following is the League of Oregon Cities summary of Senate Bill 8:

SB 8 requires local governments to approve the development of certain affordable housing, and not require a zone change or conditional use permit, on land zoned to allow commercial uses, to allow religious assembly, or as public lands. Qualifying land may be owned by a public body or a religious nonprofit. The bill applies to property zoned to allow for industrial uses only if the property is publicly owned, adjacent to lands zoned for residential uses or schools, and not specifically designated for heavy industrial uses. These requirements do not apply to land that a local government determines lacks adequate infrastructure, or on property that: contains a slope of 25% or greater; is within a 100-year floodplain; or is constrained by state land use regulations based on natural disasters and hazards or natural resources. Local governments may still impose development requirements based on siting and design standards and building permits.

SB 8 also includes a statewide density bonus for affordable housing in areas zoned for residential use. A local government may reduce the density or height of a development as necessary to address a health, safety or habitability issue, including fire safety, or to comply with a protective measure adopted pursuant to a statewide land use planning goal. Finally, the bill broadens the ability of applicants developing affordable housing to obtain attorney fees in prevailing appeals before LUBA. SB 8 was signed into law on June 23, 2021 and the bill goes into effect on January 1, 2022.

<sup>4</sup> To read the full text of Senate Bill 8, use the link below. While the full bill is 9 pages long, the most relevant information is on the first few pages.

<https://olis.oregonlegislature.gov/liz/2021R1/Downloads/MeasureDocument/SB8>

We would like the Task Force's thoughts and suggestions about creating and approval of such an Affordable Housing Ordinance. Should the City develop such an ordinance? If so, what should it include and what should it exclude?

If the City approves such a strategy, eligible housing developments would be required to meet a set of clear and objective review standards. The ordinance would need to establish eligibility criteria and standards such as the following:

- **Project requirements.** For projects to qualify for use of the Affordable Housing Ordinance, they must meet requirements about the following:
  - **Affordability level:** What level of affordability? Housing affordable at 80% of MFI (annual income of \$61,440 and monthly housing costs of \$1,540 per month or less, for a family of four).
  - **Duration of affordability:** Affordability guaranteed for 30 or 50 years?
  - **Mechanism for enforcement upon transfer of ownership:** Deed restriction?
  - **Ownership of the property:** Who qualifies to use the ordinance? Nonprofit organization, Community land trust, other options?
- **Project locations.**
  - **Zoning districts:** All residential zones, C-1, C-2, Open Space/Public Facility?
  - **Restrictions on locations:** Restrictions on where the ordinance applies, such as areas that cannot be serviced with infrastructure (e.g., roads, water, or sanitary sewer), areas that have natural resource protections, or natural hazard areas?
- **Development standards.** These are the type of development standards typical for residential development:
  - **Parking requirements:** Develop a methodology to determine parking requirements
  - **Density bonus:** Could vary by zone
  - **Height bonus:** Could vary by zone
  - **Building orientation and design:** TBD
  - **Site access and design:** Minimum landscaping?
  - **Energy Efficiency:** Such using an Energy Score

# Initiative #1: Explore Opportunities for Affordable Homeownership (affordable to households with incomes of less than 120% of MFI)

Homeownership has been out of reach for Hood River’s moderate income families. This initiative is aimed at households with incomes of less than 120% of MFI. The City would establish a new tax exemption for eligible low- and moderate-income homeowners, remove barriers to development through a citywide ordinance, and work to acquire and hold land for eligible homeownership projects for families making up to 120% AMI. The City’s taxes accounts for approximately 20% of local property taxes, so an effective tax exemption will need to include the County, School District, and other overlapping taxing districts as partners. In addition, the City would explore partnerships to advance Community Land Trusts and affordable housing cooperatives that would lower the barriers to entry for prospective homeowners. **A Citywide Affordable Housing Ordinance could be a key strategy for this initiative, so is not included in the table below.**

## What key new strategies is the City exploring?

	Homebuyer Opportunity Limited Tax Exemption (HOLTE)	Land Banking	Infrastructure and Project Subsidies
<b>How does it work?</b>	Allows property tax exemptions for some new residential construction that house low- to moderate-income families (up to 120% MFI or \$92,160 annual income for a family of four). Annual application process and monitoring for owner-occupancy.	Expand the City’s current efforts (e.g., Rand Road) to support housing development by reducing or eliminating land cost from development and gaining site control.	Provides direct project subsidies to support infrastructure and other parts of the project that meet affordable housing objectives.
<b>Funding strategies</b>	No requirement to “backfill” foregone funds. The City can specify the number of units that could be approved for HOLTE per year.	Urban Renewal GO Bond	GO Bond, Urban Renewal, CET
<b>Affordability term</b>	10 year property exemption	Deed restriction or similar approach	50 years
<b>Key questions remaining</b>	Which nonprofit partners could monitor compliance and at what cost? Would the City want to prioritize CET revenues to recoup foregone revenue from HOLTE, or simply forgo the revenue? Is this tax exemption too complex for the City to administer?	Where would the City seek out land? Would the City want to set up right of first refusal regulations for disposition of city-owned land? What could an ongoing partnership with a CLT look like?	How should enforcement for long-term affordability be done? Through a deed restriction or some other enforcement mechanism? Under what situation should the City enter into a development agreement?

## Potential Partnerships

- **Land Trusts or Limited Equity Co-ops.** Land write-downs (in parallel with a city land disposition strategy), permit fee or SDC subsidies, and outright subsidies.
- **Organizations focused on financial literacy or down payment assistance.**

## Initiative #2: Remove Barriers to Producing Moderate-Income Rental Housing (affordable to households with incomes from 60-120% MFI)

To encourage moderate income rental housing, the City will establish a new citywide affordable housing ordinance that will remove or limit regulatory barriers to development, and explore project subsidies and the creation of tax abatement that would help make moderate-income projects pencil. The Citywide Affordable Housing Ordinance would be a key strategy for this initiative, so is not included in the table below.

### What key new strategies is the City exploring?

	Multiple Unit Property Tax Exemption	Land Banking	Infrastructure and Project Subsidies
<b>How does it work?</b>	Used to incent multifamily housing with particular features or at particular price points by offering qualifying developments a partial property tax exemption for 10 years (or longer, for housing subject to affordability agreements).	Expand the City's current efforts (e.g., Rand Road) to support housing development by reducing or eliminating land cost from development	Provides direct project subsidies to support infrastructure and project developments that meet affordable housing objectives.
<b>Funding strategies</b>	The City is not required to "backfill" funds foregone by MUPTE. The City can select the number of projects to approve per year.	Urban Renewal GO Bond	Urban Renewal GO Bond CET
<b>Affordability term</b>	10+ years	Deed restriction or similar approach	Up to 50 years
<b>Key questions remaining</b>	Which taxing jurisdictions would be willing to participate?  Would the City want to monitor compliance or offer MUPTE in coordination with a nonprofit partner that would take on compliance role?	Where would the City seek out land?  Would the City want to set up right of first refusal regulations?	What would be the eligibility thresholds?  How would Urban Renewal and GO Bond projects interact?  Under what conditions would the City grant SDC subsidies for this type of development?

### Potential Partnerships

- **Nonprofit developers.** Land write-downs (in parallel with a city land disposition strategy), permit fee or SDC subsidies, and outright subsidies.
- **Other partnerships?**

## Initiative #3: Encourage New Regulated Housing

### Production (affordable to households with income of less than 60% MFI)

There are few housing options available in Hood River that are affordable to families making less than 60% of Area Median income (\$46,080 for a family of four). To advance this initiative, the City would implement a new property tax exemption for regulated housing units, establish a citywide housing ordinance, formalize the City’s existing practice of subsidizing Systems Development Charges (SDC) for regulated housing projects, and seek out opportunities to buy land that could accommodate regulated housing developments. **The Citywide Affordable Housing Ordinance would be a key strategy for this initiative, so is not included in the table below.**

#### What key new strategies is the City exploring?

	Nonprofit Low Income Housing Limited Tax Exemption	Infrastructure and Project Subsidies	SDC Deferrals / Subsidy	Landbanking
<b>How does it work?</b>	Provides full property tax exemption for new/existing affordable housing owned and operated by a nonprofit organization.	Provides direct project subsidies to support infrastructure and regulated affordable projects.	Subsidizes SDC costs for eligible projects.	Expand the City’s current efforts (e.g., Rand Road) to support housing development by reducing or eliminating land cost from development.
<b>Funding strategies</b>	The City is not required to “backfill” funds foregone by these tax exemptions.	GO Bond Urban Renewal (in limited cases)	CET? GO Bond	CET GO Bond
<b>Affordability term</b>	As long as property meets eligibility criteria	50 years, coupled with land banking	TBD	50 years, Deed restriction
<b>Key questions remaining</b>	Which other taxing jurisdictions would be willing to participate?	What criteria must a project meet to receive funding?	Besides affordability level, what other requirements must be met?  What else does the City need to do to make this a policy?	N/A

#### Potential Partnerships

- Mid-Columbia Housing Authority
- Columbia Cascade Housing Corporation
- Nonprofit affordable housing developers
- Other developers of housing affordable to households with income of less than 60% of MFI
- Mid-Columbia Community Action Council
- Others?

## #4 Preserve Existing Low-Cost Market Rate Housing

The City and nonprofit partners would work with the owners of city’s existing stock of older, market-rate units to provide a cost-effective way to rehabilitate units while ensuring permanent affordability in existing low cost market rate units.

What key new strategies is the City exploring?

	Housing Rehabilitation / Preservation Investments	Tax Abatements
<b>How does it work?</b>	The City would work with a nonprofit partner to provide financial assistance to: (1) rehabilitate existing housing units in exchange for a set period of affordability (10 to 20 years) or (2) assist in the preservation of existing manufactured home parks	Nonprofit Corp/Low Income Tax Exemption or HOLTE (for rehabs). A rehabilitated or newly constructed eligible unit type can be granted the tax exemption for up to 10 years for the value associated with the property’s structural improvements, but not the land value.
<b>Funding strategies</b>	GO Bond, OHCS programs, general fund, foundation grants	The City is not required to “backfill” funds foregone by these tax exemptions.
<b>Affordability term</b>	TBD, depending on program parameters. The City would want to align this with requirements from other funding sources.	10 years (HOLTE)
<b>Key questions remaining</b>	<p>What would be the City roles, and does City have capacity to carry out these roles?</p> <p>Would MCCAC or CCHC be the nonprofit partner administering the program? Is there a role for City in existing CCHC home repair program? Does it accomplish City’s needs? How might this strategy work with the existing home repair program?</p> <p>Should the City develop a policy that requires property owners to give the City advanced notice of intent to sell low-cost market rate housing?</p> <p>Should the City buy existing housing to re-sell it as affordable housing, with a subsidy and deed restriction?</p>	<p>Which taxing jurisdictions would be willing to participate?</p> <p>Which nonprofit partner could help to administer / monitor compliance?</p> <p>Is this tax exemption too complex for the City to administer?</p>

### Potential Partnerships

- **Community Land Trusts and/or Limited Equity Co-ops.** The City could provide land write-downs (in parallel with a city land disposition strategy), permit fee or SDC subsidies, and outright subsidies.
- **Identify a partner to work with on preservation of existing Naturally Occurring Affordable Housing (NOAHs).**
- **Support any nonprofit organization efforts to preserve manufactured home parks.**

# Funding Strategies Overview

A robust set of housing preservation and development programs requires funding sources that are stable and flexible. In addition to existing available funding options, the City will need to pursue new funding sources that can help to fund its programs. Exhibit 2 provides an overview of the funding strategies under discussion to fund strategies within each initiative.

## Funding Strategies Overview

	New Urban Renewal District	General Obligation Bond	Construction Excise Tax Revenues
<b>How does it work?</b>	<p>Freezes property tax accumulation in a designated Urban Renewal District until the Urban Renewal District expires or pays off bonds.</p> <p>The Urban Renewal District could enact a specific, increased set-aside target and more fully fleshed out set of guidelines for investments in (1) acquisition and rehabilitation of existing affordable units or (2) new construction.</p>	<p>A stable, dedicated revenue source through increased property tax rates (approved by voters).</p> <p>Cities or other jurisdictions can issue bonds backed by the taxing authority of the jurisdiction to pay for capital construction and improvements. GO bonds are issued for a specific dollar amount, and paid for over the period of the bond through increased property taxes.</p>	<p>Effective 2017, this tax levies 1% of the permit value<sup>5</sup> to go toward developer incentives (e.g. fee and SDC subsidies, tax abatements, etc.), land acquisition for affordable housing, affordable housing programs (for HH's up to 80% AMI), and statewide homeowner programs.</p>
<b>What can it fund?</b>			
Direct project subsidies	✓	✓	✓
Land acquisition	✓	✓	✓
Supportive infrastructure	✓	✓	
Developer incentives (e.g. SDC buy downs)	✓		✓
<b>Considerations</b>	<ul style="list-style-type: none"> <li>• Requires taxing district engagement, Urban Renewal Plan/Report process</li> <li>• Funding available only within the Urban Renewal District</li> <li>• Should there be a funding set-aside for housing projects?</li> <li>• In many cases, affordable housing projects are tax</li> </ul>	<ul style="list-style-type: none"> <li>• Requires citywide vote</li> <li>• What type of housing projects could best be publicly supported based on polling?</li> <li>• What is a reasonable bond amount, given competing priorities and funding appetite?</li> <li>• How many units might be acquired and / or built at various funding levels?</li> </ul>	<ul style="list-style-type: none"> <li>• Fluctuates with construction activity</li> <li>• State statute requires that a portion must be spent on development incentives (for residential CET revenues)</li> <li>• Is there capacity for new program</li> </ul>

<sup>5</sup> Hood River's CET is 1% for housing development, which is the maximum amount allowed for residential development. Hood River has a 1% CET for commercial and industrial development, which could be increased under State law.

	New Urban Renewal District	General Obligation Bond	Construction Excise Tax Revenues
	<p>exempt, and therefore do not contribute to the growth of tax increment revenues. Investments should be made with this trade-off in mind.</p>	<ul style="list-style-type: none"> <li>• What are the implications of a new GO bond for Hood River's property tax payers?</li> </ul>	<p>initiatives using this funding?</p>