

Hood River Affordable Housing Production Strategy

Task Force #4 2/9/22

ECONorthwest
ECONOMICS • FINANCE • PLANNING

Why is Hood River Conducting an AHPS?

Purpose of the Project

- Increase and retain housing opportunities for households with incomes up to 120% of Hood River's Median Family Income (MFI).
- Build on Hood River's previous efforts to meet the city's housing needs

Council Project Goals

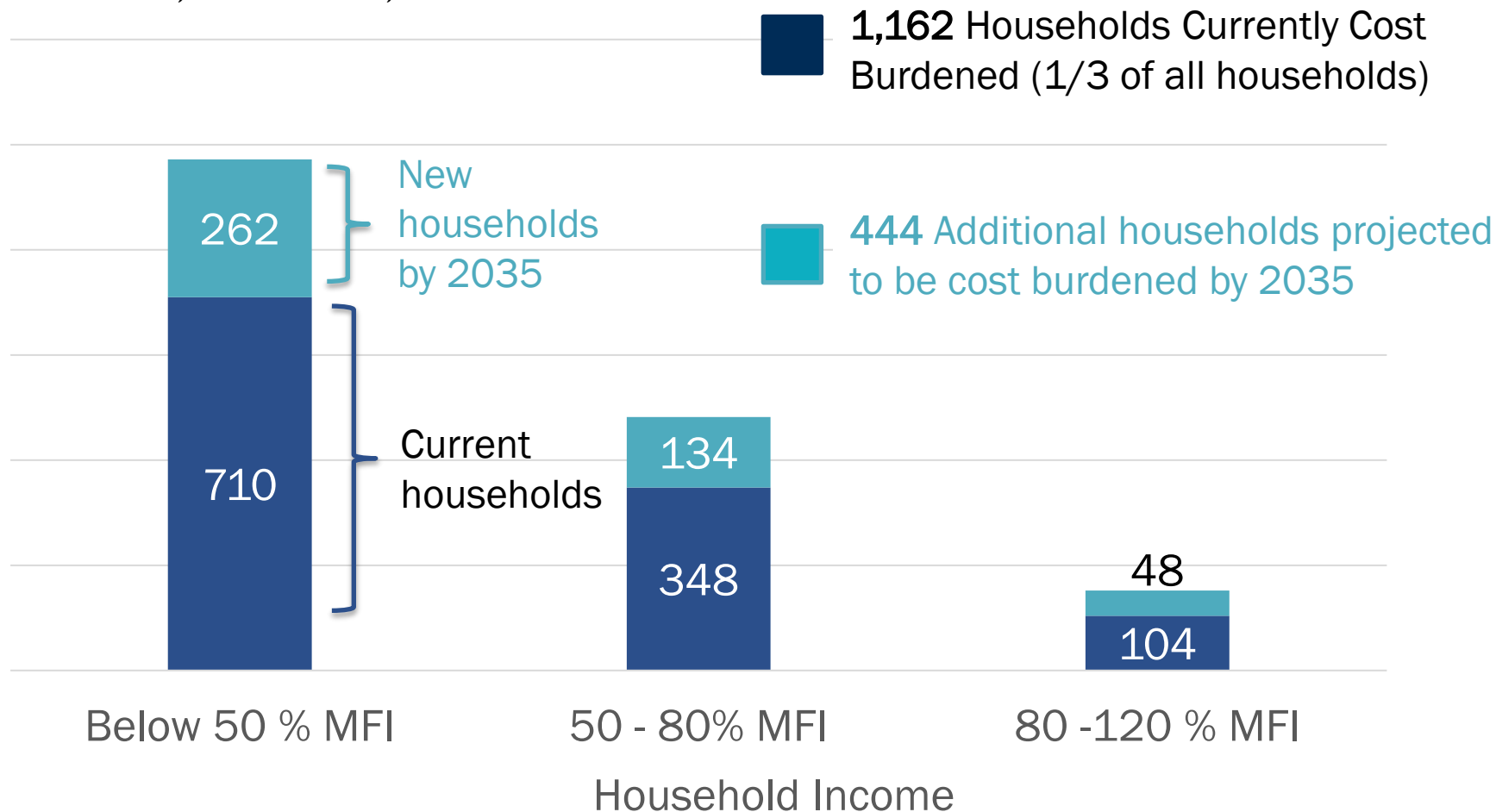
- Engage residents, employers, housing advocates, service providers and others affected by housing costs to ensure under-represented voices are included in project outcomes.
- Adopt limited and actionable number of strategies with strong likelihood to result in affordable housing development.
- Ensure strategies address equity.
- Provide clear guidance about the specific policies, tools and actions the city will use to encourage the development of affordable housing.

Equity considerations for the AHPS

- All households with income below 120% of MFI
- Most heavily impacted by high housing costs are households with incomes below 50% of MFI (\$38,400 for a family of four)
 - Groups with this level of income may include:
 - Latinos and other communities of color;
 - farmworkers; seniors; and workers with low pay such as caregivers, hospitality staff, retail staff...
- Integrate equity into development of the AHPS and into implementation of the AHPS

What are the unmet affordable housing needs?

Estimate of Households with Unmet Housing Needs, Households with income below 120% of MFI, Hood River, 2021



Source: Analysis by ECONorthwest based on information from: U.S. Department of HUD, Hood River County, 2021; U.S. Census Bureau, 2015-2019 ACS; and the Hood River Housing Needs Analysis, 2015.

Center the Strategies on Affordable Housing Needs

In Hood River, private housing market is not producing housing affordable to households earning less than 120% MFI.

Focus of this study

Regulated Affordable Housing
up to 60% MFI

Moderate Income
Affordable Housing
60% - 120% MFI

*Not considered in
this study*

Market Rate
120% +
MFI

Annual Household Income	\$23,040 (30% of MFI)	\$38,400 (50% of MFI)	\$61,440 (80% of MFI)	\$76,800 (100% of MFI)	\$92,160 (120% of MFI)
Affordable Monthly Rent	\$580	\$960	\$1,540	\$1,920	\$2,310
Affordable Home Sales Price	N/A	\$115,000- \$134,000	\$215,000- \$246,000	\$269,000- \$307,000	\$323,000- \$369,000

Source: U.S. Department of HUD 2021. U.S. Census Bureau, 2015-2019 ACS Table I9001.

Note: MFI is Median Family Income for a Family of 4.

Range of Income Based on Household Size

Greatest Need

	% of Median Family Income (MFI)	1-person household		2-person household		4-person household		6-person household		KEY
		Income*	Housing Cost**	Income*	Housing Cost**	Income*	Housing Cost**	Income*	Housing Cost**	
		30% MFI	\$16,130	\$400	\$18,430	\$460	\$23,040	\$575	\$28,270	
60% MFI	\$32,260	\$810	\$36,880	\$920	\$46,080	\$1,150	\$53,465	\$1,340	** Affordable Monthly Housing Cost	
80% MFI	\$43,010	\$1,075	\$49,170	\$1,230	\$61,440	\$1,535	\$71,290	\$1,780		
100% MFI	\$53,760	\$1,345	\$61,440	\$1,535	\$76,800	\$1,920	\$89,090	\$2,230		
120% MFI	\$64,510	\$1,610	\$73,730	\$1,840	\$92,160	\$2,300	\$106,910	\$2,670		

What We Have Heard from the Task Force So Far

- Agreement that affordable rental housing is needed, with greatest need for housing affordable below 50% of MFI
- Conflicting views about focus
 - Strong opinions that affordable rental housing will help the most people soonest
 - Strong opinions that affordable homeownership opportunities are very important
- Some groups do not feel included in housing discussions within the community
 - Opportunity to connect the data to the stories of people in the community

Listening Sessions - What we've heard so far

Service Providers

County Health Dept.
Nch'i Wana
OHDC
Aging in the Gorge
Alliance
Aging & People with
Disabilities
The Next Door

- Urgent need, especially for low-income, communities of color, seniors, people with disabilities, and farmworkers
- Focus on variety of type and size of affordable housing
- Create incentives and work with partners
- Look for resources from private individuals and businesses in the community

Latino Community

Spanish language
discussion

- Current housing market/inventory does not meet the needs of the Latino population
 - Unit sizes do not accommodate household sizes
 - Units are in poor condition & lack of weatherization
- Obstacles to obtaining housing include: language barriers, documentation status, disabilities, and affordability
- Strategies that include financial education, better outreach to the Latino community, and down payment assistance would benefit this population

Listening Sessions - What we've heard so far

Employers

- Employers struggling to attract & retain staff, including middle and high wage staff
- Interest in working with city and nonprofits to support development of affordable housing for employees, including funding assistance but not build housing themselves
- Concern about market share of second homes

Local Government Partners / Taxing Jurisdictions

- General support and acknowledgement of need for affordable housing but indication that City and County need to lead effort on affordable housing development
- Concerns about potential decreases in funding from reduced property taxes and foregone charges
- Appreciative of continuing discussions about ways to partner to support affordable housing development

Listening Sessions - What we've heard so far

Affordable Housing Developers

- Need greater focus on equity and righting past harms
- Most powerful tools: Site control, nonprofit tax exemption, flexibility in off-site infrastructure requirements, urban renewal, funding or financial subsidies
- City partnership is crucial in community relations and meeting funding source timelines

Market-Rate Developers

- City needs to act fast, current projects (e.g., Rand Road) are moving too slowly
- Off-site infrastructure requirements add uncertainty and add time, resulting in higher housing costs
- Need more partnership from City, including expedited development review but concerns about guarantee of affordability, resistant to use of deed restrictions
- GO Bond could help with infrastructure investments but there are concerns about broad public support
- More partnerships with employers needed

Draft Housing Initiatives: Approaches to Meeting Housing Needs

Desired Outcomes	Affordable to households making...	Affordable Monthly Cost	Strategies
Encourage the production of new publicly-subsidized affordable housing units	60% MFI and below (< \$46K / year)	Less than \$1,150	<ul style="list-style-type: none"> • Nonprofit Low Income Limited Housing Tax Exemption • Infrastructure Subsidies (Onsite/Offsite) • Direct Project Subsidies • SDC Waivers (City pays SDC) • Land Banking • AH Ordinance
Preserve existing low-cost market rate housing units	60-80% MFI (\$46K - \$61K / year)	\$1,150 - \$1,540	<ul style="list-style-type: none"> • Housing Rehabilitation / Preservation Investments • Nonprofit Low Income Limited Housing Tax Exemption
Remove barriers to producing moderate income rental housing	60-120% MFI (\$46K - \$92K / year)	\$1,150 - \$2,310	<ul style="list-style-type: none"> • Infrastructure Subsidies (Offsite) • Land Banking • AH Ordinance
Explore opportunities for affordable homeownership	60-120% MFI (\$46K - \$92K / year)	\$1,150 - \$2,310	<ul style="list-style-type: none"> • Homebuyer Opportunity Limited Tax Exemption (HOLTE) • Infrastructure Subsidies (Onsite/Offsite) • Direct Project Subsidies • Land Banking / Community Land Trust • AH Ordinance

Potential Funding: Urban Renewal Area, GO Bond, CET Revenues, Other?

Reminder: Potential Partners

- Gorge Housing Organizations
 - Mid-Columbia Housing Authority (MCHA)
 - Columbia Cascade Housing Corporation (CCHC)
 - Mid-Columbia Community Action Council (MCCAC)
- Employers
- Affordable & Market-Rate Developers
- Community Organizations
 - Community Land Trusts
 - Health and Other Service Providers
- Local Public Agencies and Taxing Districts
 - Hood River County
 - Mid-Columbia Economic Development District (MCEDD)

Draft Housing Initiatives: Approaches to Meeting Housing Needs

Desired Outcomes	AH Ordinance	Land Banking	Infrastructure Subsidies	Project Subsidies	Tax Exemptions
Encourage the production of new publicly-subsidized affordable housing units (0-60% AMI)	✓	✓	✓	✓	✓ (Low-income or nonprofit)
Preserve existing low-cost market rate housing units (60-80% AMI)				✓	✓ (Low-income or nonprofit)
Remove barriers to producing moderate income rental housing (60-120% AMI)	✓		✓		
Explore opportunities for affordable homeownership (60-120%)	✓	✓	✓	✓	✓ (HOLTE)

Potential Funding: Urban Renewal Area, GO Bond, CET Revenues, Other?

Issue: Land control is critical because costs make affordable housing development difficult or financially infeasible

- City-led project with land bank, like Rand Road
- Partner lead project with land trust, where city contributes funds or land

Purpose: Make land available for affordable housing development

City Role: City provide funds or land and help with parcel assembly

Potential Partners: Affordable housing developers, land trusts, churches, employers, other public agencies

Potential Funding: General Obligation Bond, Urban Renewal, CET (once funding available)

Land Banking

What we know

- City may want to do more projects like Rand Road
- New Urban Renewal Area may be good place for land banking
- Opportunity to partner with Community Land Trust for affordable homeownership
- CET currently lacks financial capacity
- Limited land supply

Implementation Questions

- How should land banking be best used?
- What are the other partnership opportunities, such as churches or employers?
- Where in the City should land be banked?
- How should the City target land acquisition?
- How to fund land banking?
- What requirements should the City make for long-term affordability and how should those requirements be enforced (e.g., deed restriction)?

Subsidized
AH

Preserve
Units

Moderate
income
rental

Affordable
Homeown
ership

Infrastructure Subsidies (Off-site)

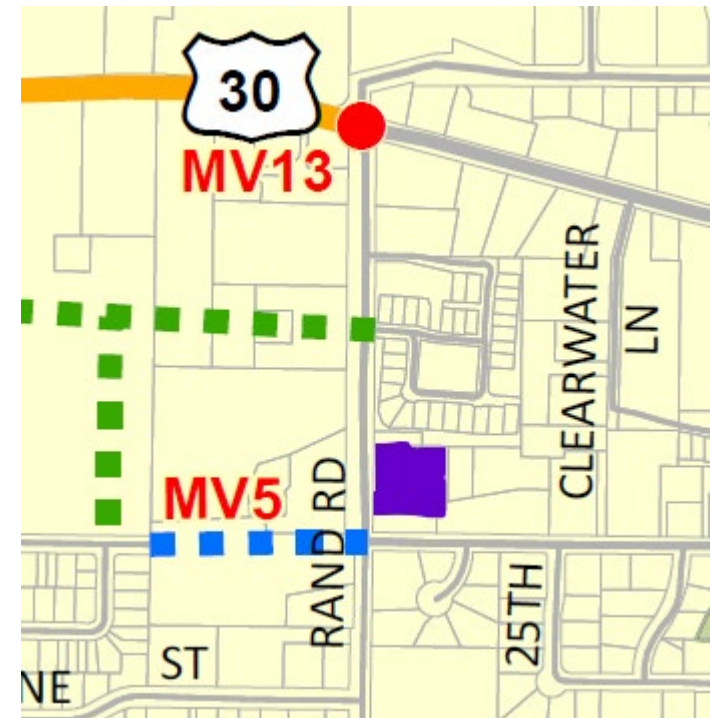
Issue: Lack of off-site infrastructure is a barrier to development or adds uncertainty/time/cost to development

- Examples: new road connections, water or sewer pipes, sidewalks

Purpose: Build off-site infrastructure to sites where affordable housing will be developed

City Role: The City could fund and do the offsite infrastructure development

Potential Funding: General Obligation Bond, Urban Renewal, Increases to SDCs (would need to be in SDC methodology)



Infrastructure Subsidies (Off-site)

What we know

- Offsite requirements are barrier for all types of housing development
- City's options to address: provide funding, increase SDCs with offset for project specific improvements, or shift infrastructure cost burden to rate payers
- Urban Renewal funds can fund offsites within the Urban Renewal Area boundary
- The City may need to increase engineering staff capacity to speed up process

Implementation Questions

- Should the City prioritize funding for infrastructure for subsidized AH projects or also subsidize moderate income affordable housing?
- What level of subsidy & types of flexibility for different levels of affordability?
- What are the most viable ways to fund these subsidies?
- Should the City clarify its SDC waiver policy to include moderate income affordable housing?
- What requirements should the City make for long-term affordability for moderate-income affordable housing (e.g., deed restriction)?

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Direct Project Subsidies: New Construction

Issue: Building affordable housing often costs more than the available funding for the development, leaving a funding gap

- Multifamily housing types for rental
- Missing middle and manufactured housing for rental & ownership
- On-site infrastructure, such as internal roads or utility connections

Purpose: Help reduce the funding gap to support development of new affordable housing

City Role: The City would provide direct funding to support affordable housing development

Potential Partners: Housing developers

Potential Funding: General Obligation Bond, Urban Renewal

Direct Project Subsidies: New Construction

What we know

- Affordable housing developers want flexible subsidies to fill funding gaps
- Eligible projects include multifamily rental, middle housing, and affordable ownership
- Urban Renewal funds could be used to contribute to projects that meet Urban Renewal goals

Implementation Questions

- What criteria should the City put in place for project subsidies? How does equity play into these criteria?
- Should moderate income rental housing be eligible for project subsidies?
- How would the City monitor affordability compliance for projects that do not include state or federal funds?
- What requirements should the City make for long-term affordability and how should those requirements be enforced (e.g., deed restriction)?

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Project Subsidies: Preservation

Issue: Existing housing that is relatively affordable, naturally occurring affordable housing, may have rising prices or condition problems that make it unaffordable or uninhabitable

- Manufactured homes or single-family units for low-income owners
- Smaller multifamily buildings with relatively low rents

Purpose: Ensure that existing affordable housing continue to be affordable and in good shape

City Role: The City could provide funding to support major renovations or to support purchase of small multifamily structures to maintain affordability.

Potential Partners: CCHC, MCCAC, CLTs, other nonprofits, employers

Potential Funding: General Obligation Bond, Urban Renewal

Project Subsidies: Preservation

What we know

- The City could fund rehab of existing low cost market rate units, in exchange for affordability requirements
- Eligible projects include multifamily rental, middle housing, and affordable ownership
- Additional conversations needed with potential partners:
 - MCHA, CCHC, MCCAC
 - Employers
 - Nonprofits
 - Community Land Trusts

Implementation Questions

- Who leads purchases for preservation?
- What are the opportunities for working with partners who may lead preservation efforts?
- What are the first steps for contributing to preservation efforts?
- Are there specific opportunities that the City could explore?
- What is the City's role in mobile home park preservation?
- Does the City want to contribute money to fund preservation, in collaboration with existing building rehabs?
- What is the long-term affordability expectation and depth of affordability required (below 60% MFI)?

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Affordable Housing Ordinance

Issue: To support affordable housing development, the City needs to reduce risk, uncertainty, and time

Purpose: Expedite review/approval of affordable housing, subject to clear and objective development standards.

Provides alternative to development through Senate Bill 8.

City Role: The City sets development standards and process

Potential changes tailored for affordable housing:

- Density bonus based on affordability level
- Height bonus that varies by zone
- Flexible parking standard

Affordable Housing Ordinance

What we know

- Regulatory barriers slow or prevent development of housing, including affordable housing.

Implementation Questions

- What regulatory changes should be part of the affordable housing ordinance?
- What level of affordability will this ordinance apply to?
- What requirements should the City make for long-term affordability and how should those requirements be enforced (e.g., deed restriction)?
- Should the ordinance include a commitment to faster review by the City?

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Potential Tax Exemptions

	Nonprofit or Low-Income Rental Exemption ¹	Homebuyer Opportunity Limited Tax Exemption
Who qualifies	New rental housing for households at 60% or less of MFI.	Existing or new single-family, townhome, or condominium at 120% or less of MFI
Duration	20 years, can be renewed	Maximum of 10 years
Participation by Other Taxing Districts	None, unless boards of districts representing at least 51% of combined levy agree to the exemption	<u>Must</u> have at least 51% of the total combined tax rate agree to grant the exemption
Best for...	Reducing operating costs for regulated affordable rental housing Lowering rent burdens for residents of affordable housing	Encouraging affordable homeownership and stabilizing low- and moderate-income families in single- and two-unit homes

¹ This is two different but very similar tax exemptions:
 Low-Income Rental Housing Exemption
 Nonprofit Corporation Low Income Housing Exemption

Tax Exemptions

What we know

- The low income exemptions provide a strong incentive to support development of subsidized affordable housing
- The amount of the exemptions will depend on which (if any) taxing districts participate
- Working with the housing authority, AH developers can obtain a tax exemption (and would need neither of the Low Income exemptions)
 - However, AH developers like the flexibility of a City-led nonprofit or low-income tax exemption
- HOLTE can lower ownership costs for new and preserved affordable ownership units

Implementation Questions

- Should the City pursue the low-income or the nonprofit exemption?
- Should the City pursue HOLTE?
- For HOLTE, who could help to manage compliance?
- City's role and capacity for administering tax exemption programs
- Will other taxing districts participate?

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Affordable Housing Funding Sources

	New Urban Renewal District	General Obligation Bond	Construction Excise Tax Revenues	“New Funding Sources”	Second Home Tax
Direct project subsidies (e.g. funds to build units)	✓	✓	✓	✓	A lot of interest but not easy to pursue in Oregon
Land acquisition	✓	✓	✓	✓	
Off-site infrastructure development	✓	✓		✓	
Tax Exemptions & SDC Subsidies	✓		✓	✓	

Potential Affordable Housing Funding Sources

Increase existing

- Increase CET on commercial and industrial development
- Increase Systems Development Charges
- Lodging Tax: Only 25% increased revenue could go to housing; 75% to tourism promotion
- Marijuana tax (currently at maximum)
- Utility fee
- Permit fees

New taxes and fees

- GO Bond
- Urban Renewal
- Local option levy
- Business license fee
- Food and beverage tax
- Sales tax
- Payroll / business income tax
- Real estate transfer tax (not legal in Oregon)
- Vacant/second home tax (untested in Oregon)

Funding - “New Funding Sources”

What we know

- Successful, sustainable affordable housing programs have a dedicated revenue source
- Employers indicated that they would be more willing to donate to a fund that provides housing for their employees
- Local donors (such as wealthy individuals or foundations) might be interested in pooling money in a housing fund but each donor may have specific requirements for their donations

Implementation Questions

- Should the City consider additional funding sources?
- Should this be compulsory or a voluntary funding source? New tax/fee or a capital campaign
- Who is paying into this fund?
 - Businesses, visitors, residents, others?

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Funding - GO Bond

What we know

- GO Bond can provide a flexible funding tool for infrastructure improvements and direct project subsidies
- City has more work to do to understand voter opinions, equity considerations, and targeted projects to fund
- While TIF focuses on specific geographic areas, GO Bond funds could be used citywide

Implementation Questions

- Should the bond be focused on:
 - Funding affordable housing projects only (and how much)
 - AH + offsite infrastructure investments to support development (and how much)
- Firming up next steps: polling, focus groups, firming up desired uses for the bond (leaving some flexibility), identifying ballot date, identifying projects
- Timing - when could the bond go to voters
- What are the competing funding measures (voter fatigue)

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Funding - Urban Renewal

What we know

- TIF Funds can support infrastructure subsidies, project subsidies, and land banking within the URA boundary
- UR Agency can participate in public-private partnerships as an equity partner
- If adopted in 2022, City could bond as early as 2025?

Implementation Questions

- How specific should the UR Plan be about affordable housing targets?
- Which property owners would be most interested in a public private partnership?
- What projects would be eligible

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Preliminary Assessment of the Top 5 Strategies

Staff and ECONorthwest think the following strategies may be most likely to support affordable housing development

- Urban Renewal
- Land Banking
- Nonprofit Low Income Tax Exemption
- Voter approved GO Bond
- Preservation Strategy (Details to be decided)

We will send a survey after the meeting to get your input