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**Hood River City Council**  
211 Second St.  
Hood River, OR 97031  
(541) 386-1488  
www.cityofhoodriver.gov

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March 15, 2021

**SPECIAL MEETING AGENDA**

6:00 p.m.

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Councilors:	Mark Zanzmiller (President)	Kate McBride, Mayor	Megan Saunders	Tim Counihan
	Jessica Metta		Erick Haynie	Gladys Rivera

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*All public meeting locations are accessible. Please let the City Recorder know if you will need any special accommodations to attend any meeting. Call (541) 387-5212 for more information. Oregon Relay Service 1-800-735-2900*

The City of Hood River is taking steps to limit exposure and spread of COVID-19 (novel coronavirus). In support of state and federal guidelines for social distancing, the City of Hood River will hold this meeting by using Zoom Conferencing.

<https://us02web.zoom.us/j/88063486878>  
(253) 215 8782  
Meeting ID: 880 6348 6878

Members of City Council and City staff will participate by Zoom, they will not be on site at City Hall during the meeting. The audio recording of the meeting will be posted shortly after the meeting on the City's website. Please check the City's website for the most current status of planned public meetings.  
<https://cityofhoodriver.gov/administration/meetings/>

**I CALL TO ORDER**

Land Acknowledgement Statement and Pledge of Allegiance

**II BUSINESS FROM THE AUDIENCE – Middle Housing Public Hearing Comments to begin at 7:00pm**

Hood River City Council encourages community members to talk about issues important to them. If you wish to speak during "Business from the Audience", there are two options to choose from:

1. Submit written comments to the City Recorder at [j.gray@cityofhoodriver.gov](mailto:j.gray@cityofhoodriver.gov) by Monday, March 15, no later than 12 noon in order to distribute to the City Council in one packet for review by 3pm. All comments will be added to the record.
2. To address Council during Business for the Audience, email the request (name of speaker and topic) to [j.gray@cityofhoodriver.gov](mailto:j.gray@cityofhoodriver.gov) by Monday, March 15, no later than 12 noon. Please specify the topic your testimony addresses. Testimony will go in order of requests received. Attendees that have registered will be unmuted by the IT Administrator for 3 minutes to address Council. Public comment will be by audio only. At the Mayors discretion, public comments may be received prior to a specific topic of relevance during the meeting.

**III DISCUSSION ITEMS**

1. Utility Rate Setting Meeting #3 – Affordability and Final Deliberations, Pages 3-88  
W. Norris (*60 mins*)

**IV PUBLIC HEARING – to begin no earlier than 7:00p.m.**

1. Continuation of Middle Housing Public Hearing File: 2020-37, Pages 89-114  
D. Nilsen (*45 mins*)

**V ADJOURN**

# CITY COUNCIL AGENDA ITEM COVER SHEET

**Meeting Date:** March 15<sup>th</sup>, 2021

**To:** Honorable Mayor and Members of the City Council

**From:** Will Norris, Finance Dir. / Asst. City Manager

**Subject:** Utility Rate Setting Meeting #3 – Affordability and Final Deliberations

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## Background

The City Council held two prior meetings on utility rates that discussed the water, sewer, and stormwater rate changes necessary to support the City's capital improvement plan and utility operations. These two meetings focused on incrementally aligning utility charges to user impact. This 3<sup>rd</sup> and final meeting will focus on affordability programs to assist customers that are unable to pay the full cost of their utilities. The City's existing low-income assistance program was enacted in 2008 and provides a 40% base water discount and 30% base sewer discount for households at 60% Area Median Income (AMI) and less.

City Council will deliberate and provide direction tonight on their desired water, sewer, and stormwater rates for FY2021-22 and any changes to the City's low-income assistance programs. City staff will then return a formal resolution for City Council adoption at the subsequent meeting.

## Discussion

### *Affordability Initiatives –*

The attached FCS memorandum and presentation details the City's existing low-income rate assistance program and options to expand it. The memorandum uses an Environmental Protection Agency (EPA) measure of affordability to analyze the correct income levels in Hood River to target. Based on this measure, the City is correctly targeting its low-income rate assistance program to households at 60% AMI and less. The memorandum estimates the cost if the City wishes to expand participation to 80% AMI and less.

The memorandum also provides options to improve low-income program participation. The most impactful option is to apply water/sewer credits against electricity bills for low-income households for whom water/sewer costs are built into base rent. City Staff met with Pacific Power and Mid-Columbia Community Action Council and both can administer this program if the City chooses to offer it. Low-income households are disproportionately tenants in multi-family developments. These living arrangements typically have shared water/sewer accounts that are included in rent while electricity is metered and billed individually.

The FCS analysis estimates that an affordability program for 60% AMI and below that includes low-income households without a water/sewer account in their name will require a city-wide rate increase of 2.41%. Allowing 80% AMI or below to participate will require a 3.34% rate increase. These rate increases assume a target ceiling of 50% of eligible customers in the program (4x current levels) and are applied one-time across all users (residential, non-residential, septic/sludge haulers, and industrial)

**Water, Sewer, and Stormwater Rate Changes -**

The prior two meetings outlined proposed changes to water, sewer, and stormwater rates. The key points from the prior meetings include:

- a) System-wide 3% annual rate increases.
- b) Incremental alignment of rate burden to user impacts, resulting in larger rate increases for non-residential and typically high sewer strength industries.
- c) Switch from meter size to square foot of impervious surface to calculate stormwater rates.

**Sample Bills, Total Annual Cost –**

The table below summarizes what the proposed rate changes will mean on an annual basis for several example rate payers.

		2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Typical Residential Home	Water	578.12	581.93	586.60	591.31	596.07	600.87
	Sewer	748.68	762.15	777.39	792.94	792.94	792.94
	Storm	117.60	94.32	107.52	122.58	139.74	144.07
	<b>TOTAL</b>	<b>1,444.40</b>	<b>1,438.40</b>	<b>1,471.51</b>	<b>1,506.83</b>	<b>1,528.75</b>	<b>1,537.88</b>
Medium Sized Brewery	Water	20,320.88	22,219.29	23,990.19	25,911.62	27,996.37	30,258.32
	Sewer	39,663.12	44,716.13	52,663.78	63,642.01	77,215.21	92,657.86
	Storm	1,875.60	1,980.72	2,258.02	2,574.14	2,934.52	3,025.49
	<b>TOTAL</b>	<b>61,859.60</b>	<b>68,916.14</b>	<b>78,911.99</b>	<b>92,127.77</b>	<b>108,146.10</b>	<b>125,941.68</b>
Large Shopping Center	Water	9,770.80	10,240.42	10,726.48	11,229.55	11,750.23	12,289.14
	Sewer	11,512.64	12,352.05	13,104.32	14,279.54	15,636.46	17,056.15
	Storm	1,076.40	11,790.00	13,440.60	15,322.28	17,467.40	18,008.89
	<b>TOTAL</b>	<b>22,359.84</b>	<b>34,382.48</b>	<b>37,271.40</b>	<b>40,831.38</b>	<b>44,854.10</b>	<b>47,354.18</b>
Downtown Restaurant	Water	2,796.76	2,925.84	3,059.44	3,197.71	3,340.82	3,488.94
	Sewer	5,390.04	3,781.68	4,395.07	4,926.53	5,557.23	6,247.13
	Storm	567.96	376.52	429.24	489.33	557.83	575.13
	<b>TOTAL</b>	<b>8,754.76</b>	<b>7,084.04</b>	<b>7,883.74</b>	<b>8,613.56</b>	<b>9,455.88</b>	<b>10,311.20</b>

**Staff Recommendation:**

Based on EPA affordability measures, continue to target 60% AMI or less, but expand the low-income assistance program to include households for whom water and sewer charges are included in their base rent via electricity bill offsets. Direct staff to return a Utility Rate Resolution for FY2021-22 based on the FCS analysis and rate recommendations, including a rate credit program for parcels that mitigate their stormwater impacts.

**Fiscal Impact**

Rate impacts are detailed in the attached memorandum and presentation.

**Suggested Motion:**

“I move to direct staff to return an FY2021-22 Utility Rate Setting Resolution for City Council consideration based on the FCS Group’s rate presentations that;

*(includes / does not include)* rate credits for non-residential stormwater runoff mitigation efforts offset by a broad-based rate increase across all stormwater rate payers; and

*(includes / does not include)* low-income rate assistance for *(60% / 80%)* Area Median Income and less, offset by a broad-based rate increase across all water and sewer rate payers and;

*(includes / does not include)* a program to provide low-income households rate credits applied against electricity bills equal to the standard water/sewer discount for low-income households where water and sewer charges are included in their base rent.”

**Alternatives:**

The City Council may insert additional specific revisions to the FCS rate recommendations as part of the suggested motion.

**Attachment:**

FCS Group Memorandum

FCS Group PowerPoint Presentation - Affordability Programs

FCS Group PowerPoint Presentation - Stormwater Rates & SDCs (from March 8th)

FCS Group PowerPoint Presentation - Water and Sewer Rates (from March 1st)

**To:** Will Norris, Finance Director / Assistant City Manager    **Date:** March 8, 2021  
City of Hood River

**From:** Todd Chase and Sam Ault, FCS GROUP

**CC:** Doug Gabbard and John Ghilarducci, FCS GROUP

**RE** Hood River Water and Sewer Affordability Analysis (Task 6)

## **Introduction**

The City of Hood River contracted with FCS GROUP to analyze the financial impacts of the City's Utility Rate Assistance Program (URAP) and potential policy alternatives. This work task addresses the issue of utility rate affordability and identifies ways to mitigate the burden of rates for low-income residents and for deed-restricted affordable housing.

This Memorandum is organized into four main sections, including:

- Affordability Measures
- Revenue Impacts
- Summary and Policy Considerations

## **Affordability Measures**

The techniques described in this paper deal with the customers' ability to pay, which is very different from the willingness to pay. Low-income discounts and affordability programs help mitigate the adverse impacts of high water and sewer bills for households (residential customers) that have genuine difficulty affording these essential services.

The Hood River City Council adopted Resolution 2008-32: Utility Rate Assistance Program in 2008. That program, which is currently in place today, provides a discount for qualifying low/moderate income customers on their monthly base charge. The current program is summarized in **Exhibit 1**

**Exhibit 1: Hood River Utility Rate Assistance Program (current)**

	Water	Sewer
Who is Eligible?	Customers earning less than 60% of the area median income	Customers earning less than 60% of the area median income
Base Charge (monthly)	\$41.35	\$62.39
Discount	40%	30%
Reduction (monthly)	\$16.54	\$18.72
Annual Reduction	\$198.48	\$224.60
Customers participating	101	111
Customer Target (goal)	593	639
<b>Annual Program Cost</b>	<b>\$20,056</b>	<b>\$24,858</b>

While the current program is effective, it is apparent that the number of participating customers (households) equates to less than 15% of the qualifying households and only 17% of the customer goal has been attained at present time.

The purpose of this issue paper is to provide an overview of techniques used throughout the industry to measure affordability relative to utility costs.

This section highlights industry *best practices* for measuring utility rate affordability; and evaluates how Hood River utility rates and customer characteristics currently apply to each measure.

**USEPA – Residential Indicator (RI)**

The US Environmental Protection Agency (USEPA), since the inception of the Clean Water Act, has provided some guidance on how to measure financial burdens<sup>1</sup>. Called the *residential indicator* (RI), the EPA’s measure divides the annual residential cost of water (or sewer) service by the median household income (MHI) of the relevant service area. The resulting value is the RI. **A value of 2% or higher indicates a “high burden” based on USEPA standards for sewer utilities; a value of 2.5% is considered a high burden for water utilities** (the reason for the difference is unknown). This simple measure has served as the industry standard for many years because the overall cost of water and sewer service remained relatively low compared with all other goods and services.

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<sup>1</sup> US EPA, 1997, *Combined Sewer Overflows – Guidance for Financial Capability Assessment and Schedule Development*. Office of Water and Office of Wastewater Management, Washington.

Despite the fact that the RI is not an indicator of affordability in the socio-economic sense of the word, it has been used extensively in the industry for precisely that purpose. An RI greater than 2% does not make the water/sewer bill generally unaffordable, but it does tell us that USEPA would consider such costs to be an indicator of a high financial burden. The difference between “financial burden” and “affordability” may come down to semantics; the fact is that there are few measures as widely used in the industry as the RI and because USEPA has applied this methodology for decades, it stands to reason that most communities are familiar with it and see some value in it as well.

**Exhibit 2** shows the affordability of Hood River’s water and sewer rates for FY 2020-21. The rates used are for residential in-city customers with a 3/4” meter. The total variable charge of \$8.79 is based off the FY 2020-21 rate of \$2.56 per 1,000 gallons using the average residential monthly billed consumption (3,440 gallons) according to the 2018 Customer Statistics provided by the City. The RI in this example is derived from 60% of the Monthly Median Income, rather than the HUD Area Median Income (\$71,700), to match Hood River’s current Utility Rate Assistance Program (URAP) eligibility policy.

**Exhibit 2: Hood River Water and Sewer Rate Affordability by Residential Indicator (RI)**

Water Residential Indicator (RI) - USEPA Standard	
Water Rates	
Fixed	\$ 41.35
Variable (per 1 kgal above 5 kgal)*	\$ 8.79
<b>A</b> Monthly Total Bill	\$ 50.14
<b>B</b> Hood River Median Income	\$ 71,700
<b>C</b> Monthly Median Income (B / 12)	\$ 5,975
<b>D</b> Monthly Income @ 60% of Median	\$ 3,585
Rate Burden (A / D)	<b>1.40%</b>

Sewer Residential Indicator (RI) - USEPA Standard	
Sewer Rates	
Fixed	\$ 62.39
Variable	\$ -
<b>A</b> Monthly Total Sewer Bill	\$ 62.39
<b>B</b> Hood River Median Income	\$ 71,700
<b>C</b> Monthly Median Income (B / 12)	\$ 5,975
<b>D</b> Monthly Income @ 60% of Median	\$ 3,585
Rate Burden (A / D)	<b>1.74%</b>

**Source :** City of Hood River. Residential 3/4" meter In-City rate FY 2020-21. HUD Area MFI, FY 2020.

\*Based on FY 2018 Customer Statistics data.

Customers at 60% of the Area Median Income face a rate burden of **1.40%** for water and **1.74%** for sewer. Based on USEPA standards, a RI value of 2.50% or greater for water and a value of at least 2.00% for sewer are consider “high burdens”. Both RI metrics fall below the “high burden” threshold for each respective system.

Additionally, when accounting for monthly bill reductions due to the current URAP policy, the RI for water is 0.94% and 1.22% for sewer. **It can be concluded, according to the Residential Indicator, that the City of Hood River’s rates may not pose a high burden to its customers earning 60% or more of the area median income level.**



### Affordability Ratio (AR<sub>20</sub>)

The AR<sub>20</sub><sup>2</sup> expresses the basic monthly cost for utility service as a percentage of monthly income for a household in the 20<sup>th</sup> income percentile, net of other essential costs. Dr. Manuel Teodoro defines the “basic monthly cost for utility service” as what a household using 50 gallons of water per capita per day (gpcd) would pay for water and sewer service. Teodoro defines “other essential costs” as monthly costs for housing, food, healthcare, home energy, and taxes. Given that the AR<sub>20</sub> framework does not explicitly reference stormwater or solid waste charges, we may want to give some thought as to whether those charges should be in the numerator (as a cost of basic utility service) or in the denominator (as an essential cost offsetting the net income available to pay the water and sewer bill).

Though the AR<sub>20</sub> value does not explicitly define what is considered “affordable,” Teodoro has suggested a benchmark of 10% to guide policy considerations.

In **Exhibit 3**, the affordability of Hood River’s water and sewer rates is examined by the AR<sub>20</sub> metric. For Hood River the AR<sub>20</sub>, the monthly income of a household in the 20<sup>th</sup> income percentile, is estimated to be roughly \$32,000 based on the American Community Survey Median Household Income for the City. Monthly Essential Expenses are derived from the 2019 BLS Consumer Expenditure Survey for the categories of Food, Healthcare, and Housing. On the AR<sub>20</sub> metric, Hood River water and sewer customers at the 20<sup>th</sup> percentile of household income are paying **10.22%** of their monthly disposable income on utility rates. This is above Dr. Teodoro’s 10.00% benchmark for affordability.

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<sup>2</sup> Teodoro, M. P. (2018). Measuring Household Affordability for Water and Sewer Utilities: Measuring Household Affordability for Water and Sewer Utilities. Journal - American Water Works Association, 110(1), 13–24. <https://doi.org/10.5942/jawwa.2018.110.0002>

**Exhibit 3: Hood River Water and Sewer Rate Affordability by Affordability Ratio (AR<sub>20</sub>)**

Affordability Ratio (AR <sub>20</sub> )	
Water Rates	
Fixed	\$ 41.35
Variable (per 1k gal above 5kgal)	\$ 8.79
Total	\$ 50.14
Sewer Rates	
Fixed	\$ 62.39
Variable	\$ -
Total	\$ 62.39
<b>A</b> Monthly Total Bill	<b>\$ 112.53</b>
<b>B</b> AR(20) annual income	\$ 32,000
<b>C</b> Monthly Income (B / 12)	\$ 2,667
<b>D</b> Monthly Essential Expenses	\$ 1,566
<b>E</b> Disposable Income (C - D)	\$ 1,101
AR(20) (A / E)	<b>10.22%</b>

*Source : City of Hood River. Residential 3/4" meter In-City rate FY 2020-21. ACS Area MHI and BLS Consumer Expenditure Survey (CES), FY 2019.*

When accounting for the City’s URAP policy, the average customer water and sewer bill is reduced to \$77.28 for qualifying customers. This reduction brings down the AR<sub>20</sub> to **7.22%**, well below the 10.00% benchmark. **It can be concluded, according to the Affordability Ratio, that the City of Hood River’s URAP policy reduction rates effectively mitigate the cost burden for customers that are enrolled in the URAP.**

**Hours at Minimum Wage (HM)**

Another metric proposed by Dr. Teodoro to evaluate the relative affordability of utility rates for low-income customers is HM, which is computed by dividing the cost of basic utility service (for a household using 50 gpcd) by the prevailing local minimum wage. Though the HM value does not explicitly define what is considered “affordable,” Dr. Teodoro has suggested a benchmark of 8.0 hours to guide policy considerations.

The primary data needed to compute HM is the prevailing local minimum wage. The minimum wage in Hood River is \$11.25 per hour.

**Exhibit 4** details the affordability of Hood River’s water and sewer rates according to the HM metric.

**Exhibit 4: Hood River Water and Sewer Rate Affordability by Hours at Minimum Wage (HM)**

Hours at Minimum Wage (HM)		
Water Rates		
Fixed	\$	41.35
Variable (per 1k gal above 5k gal)	\$	8.79
Total	\$	50.14
Sewer Rates		
Fixed	\$	62.39
Variable	\$	-
Total	\$	62.39
<b>A</b>	<b>Total Monthly Charges</b>	<b>\$ 112.53</b>
<b>B</b>	<b>Minimum wage / hour</b>	<b>\$ 11.25</b>
<b>C</b>	<b>HM (A / B)</b>	<b>10.00</b>

**Source:** City of Hood River. Residential 3/4" meter In-City rate FY 2020-21.

The City of Hood River’s water and sewer rates have an HM of **10.00**. According to Dr. Teodoro, this is above the 8.00 HM threshold. In other words, the average monthly water and sewer bill for Hood River customers would require more than one full day of labor at the minimum wage to pay fully.

For customers participating in the URAP, the total monthly bill is reduced to \$77.28 on average. This brings the City of Hood River’s water and sewer rates to a HM of **6.87**, below the 10.00 benchmark. **It can be concluded, according to the Hours at Minimum Wage metric, that the City of Hood River’s URAP policy reduction rates effectively mitigate the cost burden for customers that are enrolled in the URAP.**

**Revenue Impacts**

To quantify the potential revenue impact associated with changes to the current affordable rate program, FCS GROUP evaluated the estimated number of low to moderate income households that reside within the City of Hood River (**Exhibit 5**).

**Exhibit 5: Water and Sewer Customers (Households) by Income Level, City of Hood River**

	Max Qualifying Income	% of HHs	Est. Qualifying water customers
50% of Median Income	\$ 32,840	19%	532
60% of Median Income	\$ 39,407	26%	713
80% of Median Income	\$ 52,543	39%	1,071

**Source:** Hood River Area Median Income, 2019 ACS 5-Year Estimates. 2018 Customer Statistics.

### Enhanced Affordability Program Cost

This analysis considers the policy option of expanding the Utility Rate Assistance Program through direct marketing and issuing direct bill credits to eligible customers. The revenue requirement has been estimated using the current income limit threshold of 60% as well as the higher 80% threshold (based on median household income).

### Water Utility Revenue Requirement

If we assume a 50% participation rate (by eligible water utility customers), the water utility would require additional annual revenue of approximately \$101,933 to expand the program at a 60% income threshold, and \$138,037 at the 80% income threshold (**Exhibit 6**).

The City would have an option of funding this program through external sources such as the General Fund, or the equivalent of a moderate one-time rate increase (over and above the base case scenario) of between 3.21% and 4.40%.

**Exhibit 6: Estimated Water Utility Affordable Rate Program Cost**

Water Rate Analysis (FYE 2021)	Revenue Requirement by Participation Rate*						
	@100%	@80%	@60%	@50%	@40%	@20%	@10%
<b>@&lt;60% of Median Income</b>	37%	29%	22%	18%	15%	7%	4%
Eligible Customers	977	782	586	489	391	195	98
Revenue Reduction	(\$193,979)	(\$155,183)	(\$116,387)	(\$96,989)	(\$77,591)	(\$38,796)	(\$19,398)
Service Charge	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)
Income Verification Charge	(\$22,500)	(\$22,500)	(\$22,500)	(\$22,500)	(\$22,500)	(\$22,500)	(\$22,500)
<b>Gross Revenue Impact</b>	<b>(\$218,979)</b>	<b>(\$180,183)</b>	<b>(\$141,387)</b>	<b>(\$121,989)</b>	<b>(\$102,591)</b>	<b>(\$63,796)</b>	<b>(\$44,398)</b>
<b>Current Low Income Program Cost</b>	<b>\$ 20,056</b>	<b>\$ 20,056</b>	<b>\$ 20,056</b>	<b>\$ 20,056</b>	<b>\$ 20,056</b>	<b>\$ 20,056</b>	<b>\$ 20,056</b>
<b>Net Revenue Impact</b>	<b>(\$198,923)</b>	<b>(\$160,127)</b>	<b>(\$121,331)</b>	<b>(\$101,933)</b>	<b>(\$82,535)</b>	<b>(\$43,740)</b>	<b>(\$24,342)</b>
<i>approx. impact on utility rate (year 1)</i>				3.21%			
<b>@&lt;80% of Median Income</b>	50%	40%	30%	25%	20%	10%	5%
Eligible Customers	1,341	1,073	805	671	536	268	134
Revenue Reduction	(\$266,186)	(\$212,949)	(\$159,712)	(\$133,093)	(\$106,475)	(\$53,237)	(\$26,619)
Service Charge	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)
Income Verification Charge	(\$22,500)	(\$22,500)	(\$22,500)	(\$22,500)	(\$22,500)	(\$22,500)	(\$22,500)
<b>Gross Revenue Impact</b>	<b>(\$291,186)</b>	<b>(\$237,949)</b>	<b>(\$184,712)</b>	<b>(\$158,093)</b>	<b>(\$131,475)</b>	<b>(\$78,237)</b>	<b>(\$51,619)</b>
<b>Current Low Income Program Cost</b>	<b>\$ 20,056</b>	<b>\$ 20,056</b>	<b>\$ 20,056</b>	<b>\$ 20,056</b>	<b>\$ 20,056</b>	<b>\$ 20,056</b>	<b>\$ 20,056</b>
<b>Net Revenue Impact</b>	<b>(\$271,130)</b>	<b>(\$217,893)</b>	<b>(\$164,656)</b>	<b>(\$138,037)</b>	<b>(\$111,418)</b>	<b>(\$58,181)</b>	<b>(\$31,563)</b>
<i>approx. impact on utility rate (year 1)</i>				4.40%			

\* assumes 40% reduction in base charge.

### Sewer Utility Revenue Requirement

A similar analysis was conducted for the sewer utility and related rate impacts. If we assume a 50% participation rate (by eligible sewer utility customers), the utility would require approximately \$109,897 in annual revenue to expand the program at a 60% income threshold, and \$150,753 in additional annual revenue at the 80% income threshold (**Exhibit 7**).

The City would have an option of funding this program through external sources such as the General Fund, or the equivalent of a moderate one-time rate increase (over and above the base case scenario) of between 2.41% and 3.34%.

**Exhibit 7: Estimated Sewer Utility Affordable Rate Program Cost**

<b>Wastewater/Sanitary Sewer Rate Analysis (FYE 2021)</b>							
	<b>Revenue Requirement by Participation Rate**</b>						
	<b>@100%</b>	<b>@80%</b>	<b>@60%</b>	<b>@50%</b>	<b>@40%</b>	<b>@20%</b>	<b>@10%</b>
<b>@&lt;60% of Median Income</b>	37%	29%	22%	18%	15%	7%	4%
Eligible Customers	977	782	586	489	391	195	98
Revenue Reduction	(\$219,510)	(\$175,608)	(\$131,706)	(\$109,755)	(\$87,804)	(\$43,902)	(\$21,951)
Service Charge	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)
Income Verification Charge	(\$22,500)	(\$22,500)	(\$22,500)	(\$22,500)	(\$22,500)	(\$22,500)	(\$22,500)
<b>Gross Revenue Impact</b>	<b>(\$244,510)</b>	<b>(\$200,608)</b>	<b>(\$156,706)</b>	<b>(\$134,755)</b>	<b>(\$112,804)</b>	<b>(\$68,902)</b>	<b>(\$46,951)</b>
<b>Current Low Income Program Budget</b>	<b>\$ 24,858</b>	<b>\$ 24,858</b>	<b>\$ 24,858</b>	<b>\$ 24,858</b>	<b>\$ 24,858</b>	<b>\$ 24,858</b>	<b>\$ 24,858</b>
<b>Net Budget Impact</b>	<b>(\$219,653)</b>	<b>(\$175,751)</b>	<b>(\$131,848)</b>	<b>(\$109,897)</b>	<b>(\$87,946)</b>	<b>(\$44,044)</b>	<b>(\$22,093)</b>
<i>approx. impact on utility rate (year 1)</i>				2.41%			
<b>@&lt;80% of Median Income</b>	50%	40%	30%	25%	20%	10%	5%
Eligible Customers	1,341	1,073	805	671	536	268	134
Revenue Reduction	(\$301,222)	(\$240,978)	(\$180,733)	(\$150,611)	(\$120,489)	(\$60,244)	(\$30,122)
Service Charge	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)
Income Verification Charge	(\$22,500)	(\$22,500)	(\$22,500)	(\$22,500)	(\$22,500)	(\$22,500)	(\$22,500)
<b>Gross Revenue Impact</b>	<b>(\$326,222)</b>	<b>(\$265,978)</b>	<b>(\$205,733)</b>	<b>(\$175,611)</b>	<b>(\$145,489)</b>	<b>(\$85,244)</b>	<b>(\$55,122)</b>
<b>Current Low Income Program Budget</b>	<b>\$ 24,858</b>	<b>\$ 24,858</b>	<b>\$ 24,858</b>	<b>\$ 24,858</b>	<b>\$ 24,858</b>	<b>\$ 24,858</b>	<b>\$ 24,858</b>
<b>Net Budget Impact</b>	<b>(\$301,364)</b>	<b>(\$241,120)</b>	<b>(\$180,876)</b>	<b>(\$150,753)</b>	<b>(\$120,631)</b>	<b>(\$60,387)</b>	<b>(\$30,265)</b>
<i>approx. impact on utility rate (year 1)</i>				3.34%			

\*\* assumes 30% reduction in base charge.

Compiled by FCS GROUP.

**Summary and Policy Considerations**

Affordability programs are being used now more than ever to help mitigate living costs for low and moderate income households. Affordability utility rate programs vary for each jurisdiction and their success is difficult to measure. The ability to provide direct financial assistance to eligible households as a credit on their utility bill helps ensure that renters as well as homeowners receive benefits of the program. In addition, these types of programs can also reduce utility costs over time as non-payments are avoided, along with the costs of shutting off meters.

The City of Hood River can expand participation in its affordability program by providing direct payment assistance to low and moderate income renters as well as homeowners that equates to the utility rate subsidy. Low and moderate income renters that reside in apartments (with a shared water and sewer meter) do not typically see their water/sewer bill. They do, however, receive monthly electric bills. The City can consider working with PacificPower to provide an energy credit on their monthly power bill for qualifying rental and owner households.

The participation of low to moderate income water and sewer customers in Hood River could be expanded by broadening the qualifying income level (to 80% or less of the area median household income), and proactive program marketing using flyers in utility bills, website notices, or direct mailings.


As indicated in this Memorandum, expanding the URAP to up to a 50% penetration target would broaden the participation of low and moderate income water and sewer residential customers from its current level of 111 accounts to approximately 671 accounts (@80% or lower median household income level). Since it is unlikely that this level of success would occur in year 1, this program could be funded through the use of General Fund or other external revenue (as noted herein), or through the equivalent of a moderate rate increase.



# Water & Sewer Utility Affordability Analysis


Presented by  
Todd Chase, AICP, LEED, Principal

March 15, 2021



FCS GROUP  
Solutions-Oriented Consulting

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## Agenda

- **Hood River's Affordable Utility Rate Assistance Program**
- **Measures of Affordability**
  - » USEPA Residential Indicator (RI)
  - » Affordability Ratio (AR20)
  - » Hours at Minimum Wage (HM)
- **Water Revenue Impacts**
- **Sewer Revenue Impacts**
- **Policy Considerations**
- **Questions and Next Steps**

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## Current Rate Assistance Program

- The Hood River City Council adopted Resolution 2008-32: Utility Rate Assistance Program (URAP) in 2008
- Currently, participating customers (households) equates to less than 15% of the qualifying households and only 17% of the customer goal

	Water	Sewer
Eligible Customers	≤ 60% AMI	≤ 60% AMI
Base Charge (monthly)	\$41.35	\$62.39
Discount Provided	40%	30%
Reduction (monthly)	\$16.54	\$18.72
Annual Reduction	\$198.48	\$224.60
Customers participating	101	111
Original Target (goal)	593	639
Annual Program Cost	\$20,056	\$24,858

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## Measures of Affordability

- Industry best practices for measuring affordability and the ability-to-pay

### USEPA Residential Indicator (RI)

- Industry standard, based on % of income spent on utilities
- RI of 2.5% for Water and 2% for Sewer indicates high cost burden

### Affordability Ratio (AR20)

- Cost of utility service / income for a household in the lowest 20<sup>th</sup> income percentile
- Accounts for costs of housing, food and healthcare

### Hours at Minimum Wage (HM)

- Divides cost of basic utility service by local minimum wage: hours of work required to pay for utility bill
- HM of 8 hours or greater indicate high burden

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## Affordability Analysis: RI Indicator

- **USEPA Residential Indicator (RI)**
  - » Annual Residential Cost / Median Household Income (MHI)
    - Water: **2.50%** or above is considered high burden
    - Sewer: **2.00%** or above is considered high burden

Hood River Analysis	Water	Sewer
Rate Burden without Discount	1.40%	1.74%
Rate Burden w/ URAP Discount	0.94%	1.22%

RI indicators in Hood River beat the USEPA standard for both water and sewer utilities with and without the current URAP program discounts

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## Affordability Measures: Affordability ratio

- **Affordability Ratio (AR20)**
  - » Expresses basic cost for utility service as % of income for a household in the lowest 20<sup>th</sup> income percentile
    - Accounts for essential expenses (housing, food, healthcare)
    - Benchmark of **10% or lower is preferred**

Hood River Analysis	AR20 Ratio
Rate Burden without Discount	10.22%
Rate Burden w/URAP Discount	7.02%

AR20 ratio in Hood River is above 10% benchmark without the URAP Discount, and well below with the current discounts offered

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## Affordability Measures: Hours at Min. Wage

- **Hours at Minimum Wage (HM)**
  - » Divides cost of basic utility service by the local minimum wage
    - Rough benchmark of **8 hours or less preferred** (no more than 1 day of labor to pay for monthly water/sewer utility bill)

Hood River Analysis	HM Hours required
Rate Burden without Discount	10.00
Rate Burden w/URAP Discount	6.87

HR ratio in Hood River is above 8-hour benchmark without the URAP Discount, and well below with the current discounts offered

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## Water Revenue Impacts

- Additional revenue would be required to fully fund the program assuming 50% program participation
- Assumes participating households increase from 101 (current) to 489 (@60% AMI) or 671 (@80% AMI)

### 60% Income Threshold

- Requires additional revenue of **\$101,933**
- Equivalent to one-time rate increase of **3.2%**

### 80% Income Threshold

- Requires additional revenue of **\$138,037**
- Equivalent to one-time rate increase of **4.4%**

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## Sewer Revenue Impacts

- Additional revenue is required to fully fund the program assuming 50% program participation
- Assumes participating households increase from 111 (current) to 489 (@60% AMI) or 671 (@80% AMI)

### 60% Income Threshold

- Requires additional revenue of **\$109,897**
- Equivalent of a one-time rate increase of **2.4%**

### 80% Income Threshold

- Requires additional revenue of **\$150,753**
- Equivalent of a one-time rate increase of **3.3%**

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## Policy Considerations

- **Consider ways to increase participation of low and moderate income households**
- **50% URAP participation target would expand the program from <111 household to 671 (at 80% or lower of median household income)**
- **Discuss expanding income threshold from 60% to 80% of Area Median Household Income**
- **Consider working with Pacific Power to provide credits on customer power bills as a means of providing direct payment**
- **Affordability Utility Rate Program funding options include:**
  - » General Fund transfer
  - » Other external revenue sources
  - » Rate Increase (monitor participation for 12 months before determining %)
- **Over time, city can also scale all SDCs by home size**

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# Discussion & Next Steps

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## Supporting Tables

**Hood River County, Households by Income & Tenancy Estimates**

Income Cohort	% Owner		% Renter		Total
	Households	Households	Households	Households	
Upper (120% or more of MI)	51%	23%	23%	11%	3,612
Middle (80% to 120% of MI)	20%	17%	17%	14%	1,647
Low (50% to 80% of MI)	13%	33%	33%	27%	1,702
Very Low (30% to 50% of MI)	9%	11%	11%	9%	858
Extremely Low (less than 30% of MI)	6%	15%	15%	12%	781
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>8,600</b>

Source: US Census Bureau 2019: ACS 5-Year Estimates (Table S2503), compiled by FCS GROUP

**Estimated Qualifying Customers by Median Household Income Level**

	Qualifying	% of HHs	water customers
<50% of Median Income	\$ 32,840	19%	532
<60% of Median Income	\$ 39,407	26%	713
<80% of Median Income	\$ 52,543	39%	1,071
>81% Income level		61%	1,685
<b>Total households (customers)</b>			<b>2,756</b>

**Hood River Median Household Income in the Past 12 Months**

		HHs
Less than \$10,000	1.7%	146
\$10,000 to \$14,999	3.0%	258
\$15,000 to \$24,999	7.4%	636
\$25,000 to \$34,999	9.2%	791
\$35,000 to \$49,999	15.6%	1,342
\$50,000 to \$74,999	19.3%	1,660
\$75,000 to \$99,999	12.0%	1,032
\$100,000 to \$149,999	18.4%	1,582
\$150,000 to \$199,999	5.8%	499
\$200,000 or more	7.5%	645

Median income (dollars)	\$ 65,679
Mean income (dollars)	\$ 89,693

Source: 2019 ACS 5-Year Estimates. In 2019 Inflation-Adjusted dollars.

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Slide 12

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# Stormwater SDC and Rate Study



Presented by  
Doug Gabbard, Project Manager  
Wyatt Zimbelman, Senior Analyst

March 8, 2021



# Presentation Overview

- **Overview of SDC methodology**
- **Calculation of Stormwater SDC**
- **Overview of rate setting process**
- **Stormwater rate study results**
  - » Revenue requirement
  - » Rate design
  - » Credit analysis
- **Next steps**
- **Questions / discussion**



# Where We Are

Status by Task			Gathering Data	Performing Analysis	Reviewing with City	Refining Analysis	Communicating Results	Task Complete
Revenue requirement	Water	2.1	[Green bar]					
Revenue requirement	Wastewater	2.2	[Green bar]					
Revenue requirement	Stormwater	2.3	[Green bar]					
Cost-of-service analysis	Water	3.1	[Green bar]					
Cost-of-service analysis	Wastewater	3.2	[Green bar]					
Credit analysis	Stormwater	3.3	[Green bar]					
Rate design	Water	4.1	[Green bar]					
Rate design	Wastewater	4.2	[Green bar]					
Rate design	Stormwater	4.3	[Green bar]					
System development charge	Stormwater	7.0	[Green bar]					
Affordability analysis		8.0	[Green bar]					

A photograph of a rocky stream with a small waterfall and a pipe in the background. The stream flows over dark, jagged rocks, creating white foam. In the background, there is a concrete structure with a pipe opening, surrounded by lush green foliage.

# System Development Charge



# Key Characteristics of SDCs

- SDCs are one-time charges, not ongoing rates. Paid at the time of development.
- SDCs are available for water, wastewater, stormwater, transportation, and parks.
- SDCs are for capital only, in both their calculation and in their use.
- SDCs include both existing and future (planned) infrastructure cost components.
- SDCs are for “system” facilities, not “local” facilities.





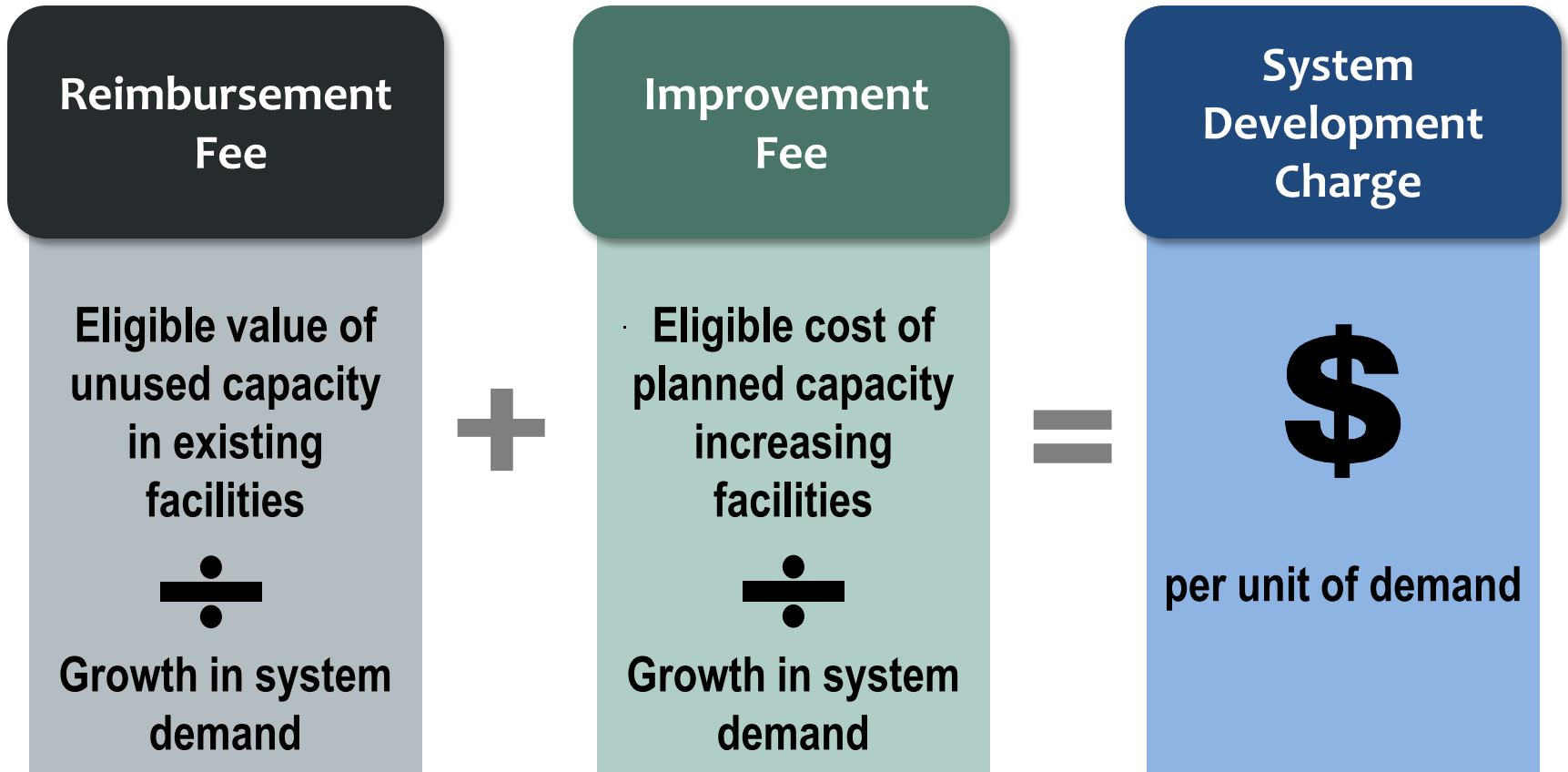
# Legal Framework for SDCs

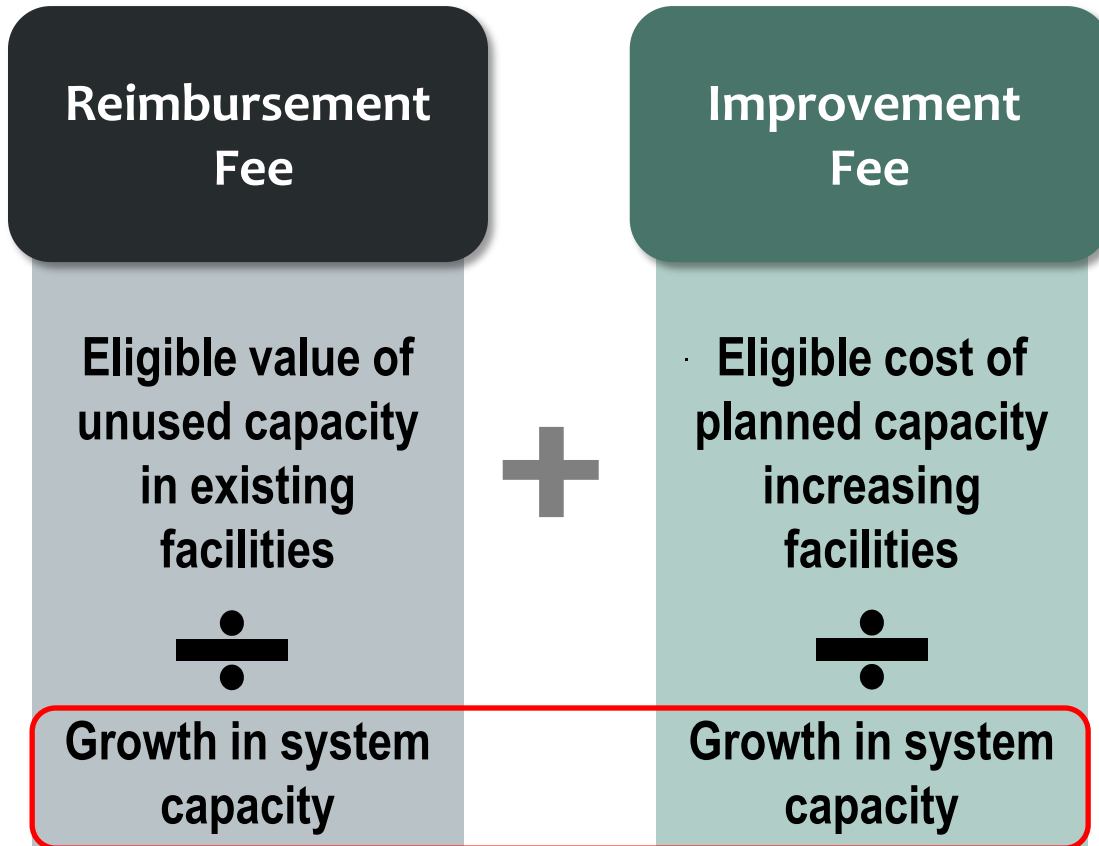
**ORS 223.297 - 314, known as *the SDC Act*, provides “a uniform framework for the imposition of system development charges by governmental units” and establishes “that the charges may be used only for capital improvements.”**





# The SDC Calculation





- **Determine units**
  - Equivalent Dwelling Units (EDUs)
- **Determine current customer base**
- **Project customer base into future**
  - Master plan or other forecast
  - Consistency with project list
- **Future – current = growth**



# Growth Calculation

Customer Count	2020	2029*	Growth (2020-2029)
Equivalent Dwelling Units (EDUs)	6,948	7,874	926

\*Projected based on 1.40% annual growth rate through completion of CIP in 2029

- **1.0 EDU = 2,490 square feet of impervious surface area**
  - » All single family customers = 1.0 EDU, regardless of impervious area



# Reimbursement Fee Cost Basis

Reimbursement  
Fee

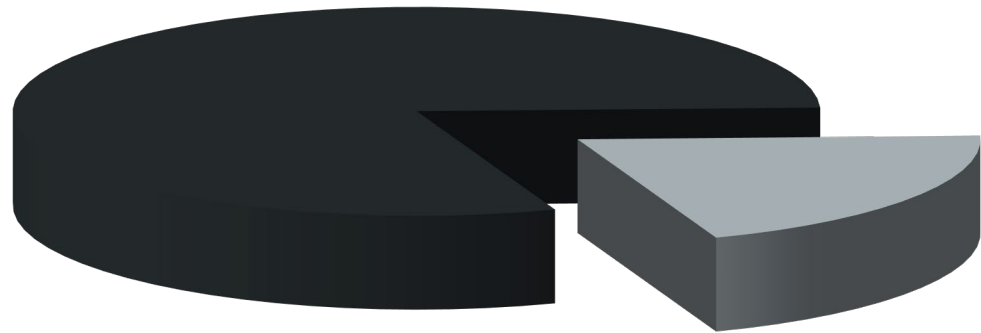
Eligible value of  
unused capacity  
in existing  
facilities



Growth in system  
capacity

## Sample Existing Facilities Cost

*reimbursement fee eligible*



*Unused Capacity*

- **No reimbursement fee calculated in this study**
  - » Stormwater plan is in progress, no information available for unused capacity



# Improvement Fee Cost Basis

**Improvement  
Fee**

**Eligible cost of  
planned capacity  
increasing  
facilities**

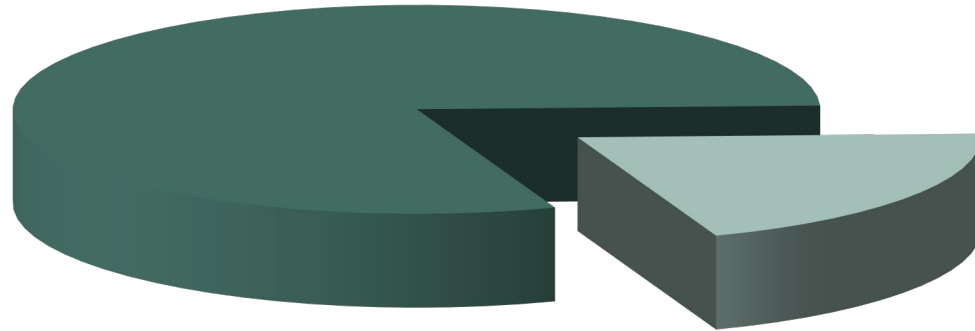


**Growth in system  
capacity**

## Sample Planned Capital Costs

*improvement fee eligible*

*To Serve Existing Customers*



*Capacity Increasing*



# Improvement Fee Cost Basis Calculation

Summary of Capital Improvement Plan	Cost of Capacity Increasing Improvements
Number of Projects	18
City-Funded Project Costs	\$7,271,167
<i>Eligible Portion*</i>	34.86%
<b>Total Eligible Projects</b>	<b>\$2,535,000</b>

\*SDC eligibility provided by City for each project



# SDC Calculation

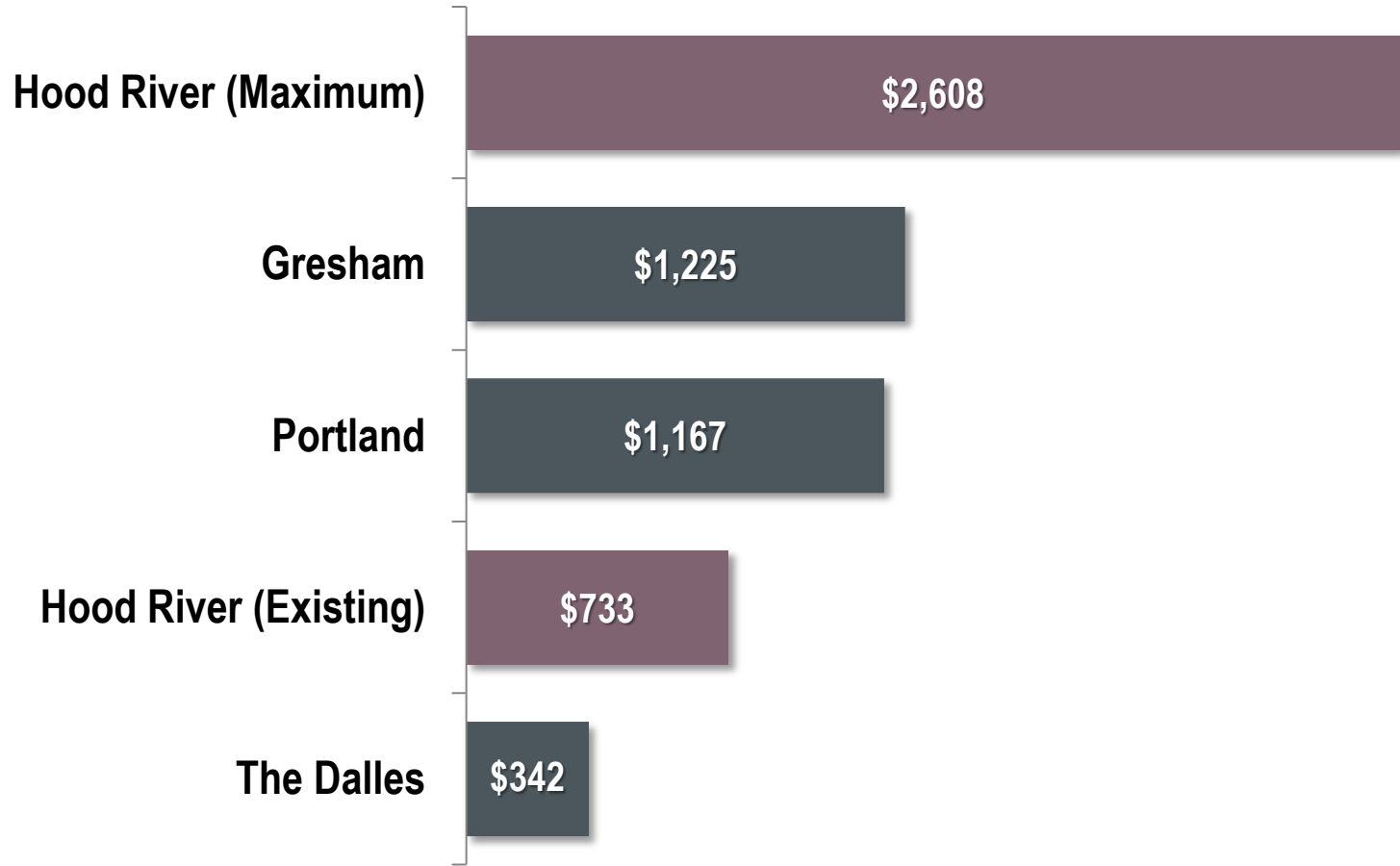
SDC	SDC-Eligible
<b>Improvement Fee</b>	
Cost of Capacity Increasing Improvements	\$ 2,535,000
Less: Improvement Fee Fund Balance	<u>(144,969)</u>
Improvement Fee Cost Basis	\$ 2,390,031
Growth to End of Planning Period	926 EDUs
Improvement Fee	\$ 2,580.74 per EDU
<b>Total System Development Charge</b>	
Improvement Fee	\$ 2,580.74 per EDU
Compliance Fee*	<span style="border: 1px solid black; padding: 2px;">1.04%</span> \$ 26.78 per EDU
<b>Total SDC per EDU</b>	<b>\$ 2,607.52 per EDU</b>

\*Cost of SDC study as a percentage of annual SDC revenue





# Residential Stormwater SDC Comparison



A photograph of a rocky stream with a small waterfall and a pipe in the background. The stream flows over dark, jagged rocks, creating white foam. In the background, there is a concrete structure with a pipe opening, surrounded by lush green foliage.

# Revenue Requirement



# Key Assumptions

## Annual Cost Inflation

- Salaries: 2.21%
- Benefits: 3.00%
- Other operating costs: 2.21%
- Construction costs: 3.00%

## Annual Customer Growth Rates

- Growth in customer accounts: 1.40%
- SDC revenues assume implementation of maximum charge.

## Operating Forecast

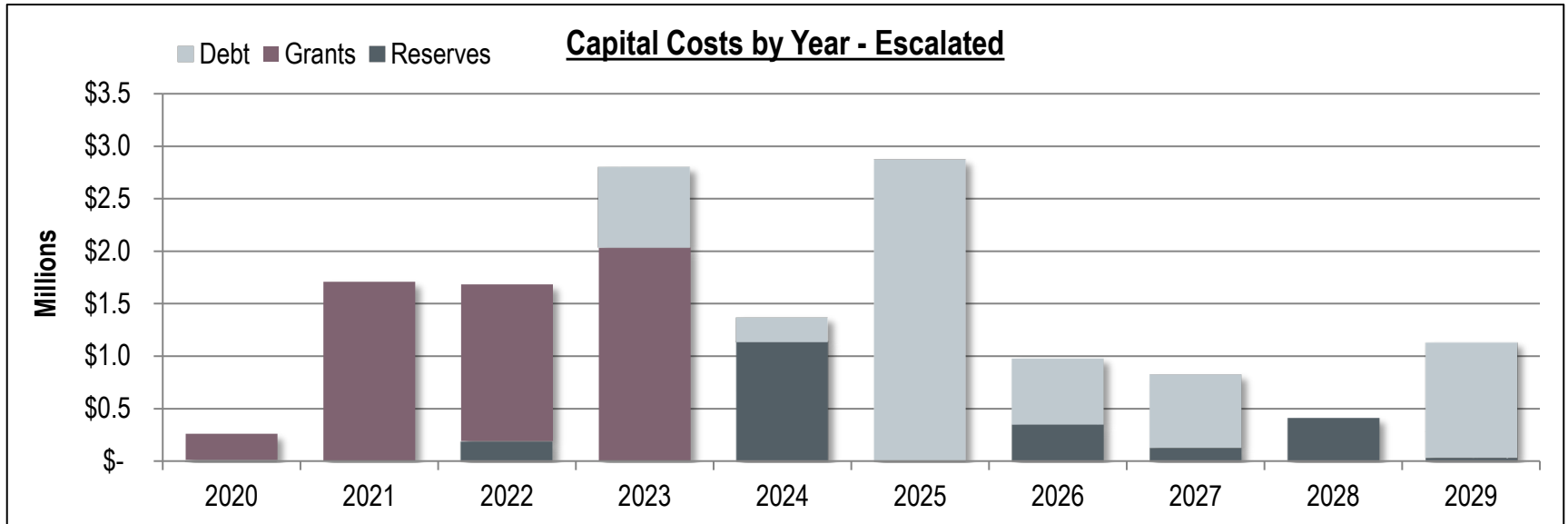
- Rate revenue based on FY 2017-18 actuals, validated with customer billing statistics
- Operating costs and non-rate revenues based on FY 2020-21 Budget
  - Adjusted for inflation in future years

## Future Debt Issuance

- Interfund loans from Equipment Fund
  - Interest rate: investment earning rate (~1.0%)
  - Repayment term: 10 years
- Revenue bonds
  - Interest rate: 4.0%
  - Repayment term: 20 years
  - Issuance costs: 1.0% of amount issued



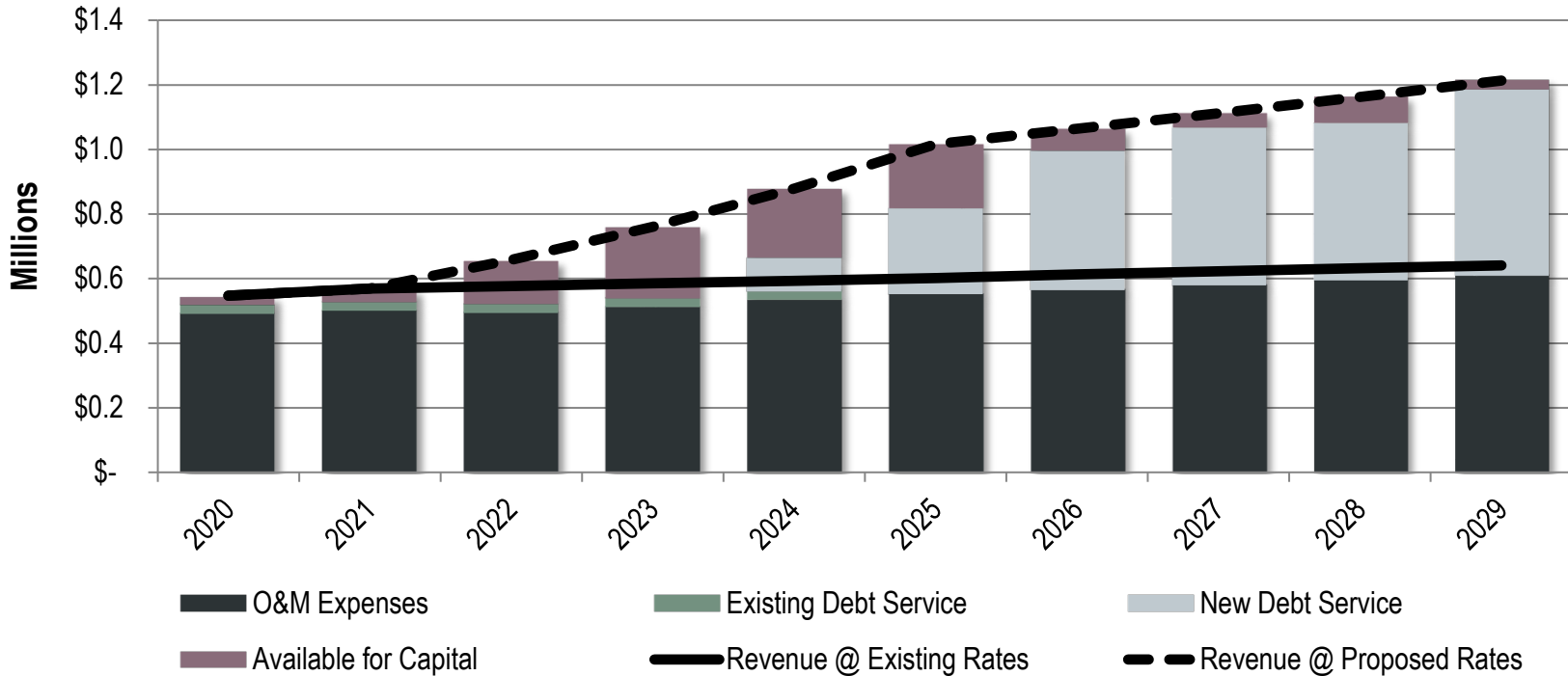
# Capital Funding Forecast



- **\$14.1 million in capital projects (escalated) from FYs 2019-20 through 2028-29**
  - Waterfront Storm: \$5.5M
  - Pine (5<sup>th</sup> to 11<sup>th</sup>): \$848k
  - West May & 30<sup>th</sup>: \$1.4M
  - Avalon: \$811k
  - 20<sup>th</sup> (Eugene to Wasco): \$1.7M
  - 4<sup>th</sup> (June to Montello): \$851k
- **Cash resources are expected to be insufficient to cover projected costs**
  - » Interfund loans in FY 2022-23 (\$1.0M) and FY 2024-25 (\$1.5M)
  - » Revenue bond issuances in FY 2024-25 (\$2.0M), FY 2026-27 (\$700k), and FY 2028-29 (\$1.1M)



# Revenue Requirement Forecast



- **More rate revenue is needed to support capital projects and debt service**
  - » 14.0% annual rate increases recommended from FYs 2021-22 through 2024-25
  - » 3.0% annual rate increases recommended from FYs 2025-26 through 2028-29

A photograph of a rocky stream with a concrete structure in the background. The stream flows over several large, dark grey rocks, creating white water rapids. In the background, there is a concrete structure with a small opening, possibly a culvert or a bridge. The surrounding area is lush with green foliage and trees.

# Existing Rate Structure



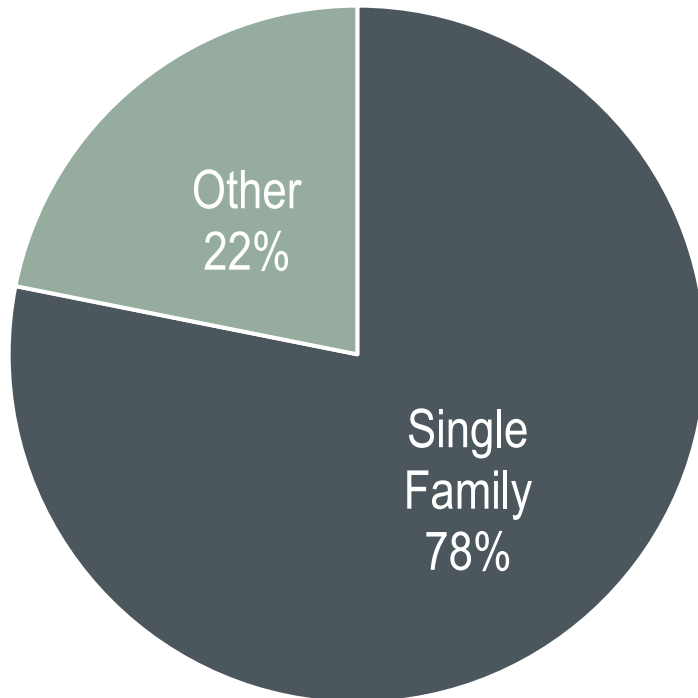
# Existing Rates FY 2020-21

Meter Size	Monthly Rate
3/4"	\$9.80
1"	\$47.33
1-1/2"	\$82.00
2"	\$89.70
3"	\$156.30
4"	\$313.70
6"	\$489.25

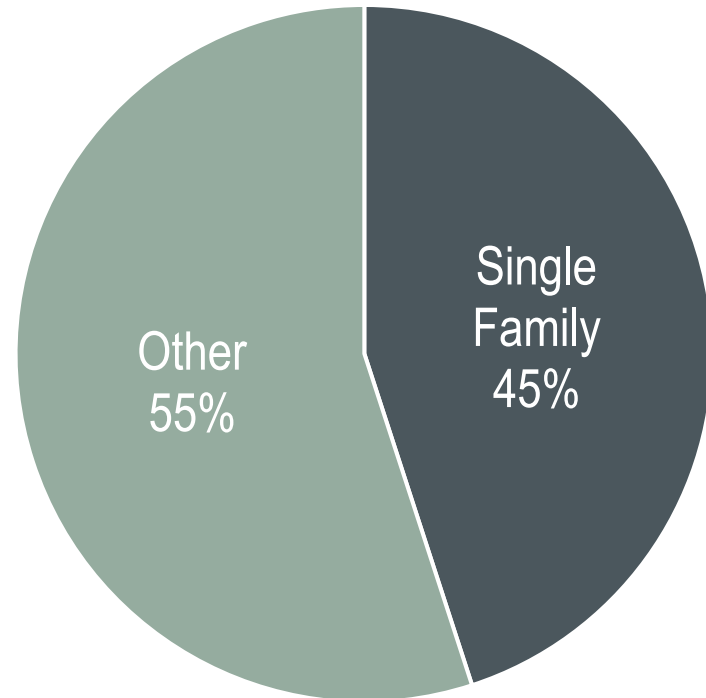


## Imbalance Between Revenue & Impervious Area

Estimated Revenue



Estimated Impervious Area



**Single family generates almost 80% of revenue; only 45% of impervious area**





## Example of Inequity: Large Parcels

Parcel	Impervious Square Feet	Meter Size	Monthly Charge
A	55,000	6"	\$489.25
B	150,000	6"	\$489.25
C	500,000	6"	\$489.25

A photograph of a rocky stream with a small waterfall and a pipe in the background. The stream flows over dark, jagged rocks, creating white foam. In the background, there is a concrete structure with a pipe opening, surrounded by lush green foliage.

# Recommended Rate Structure



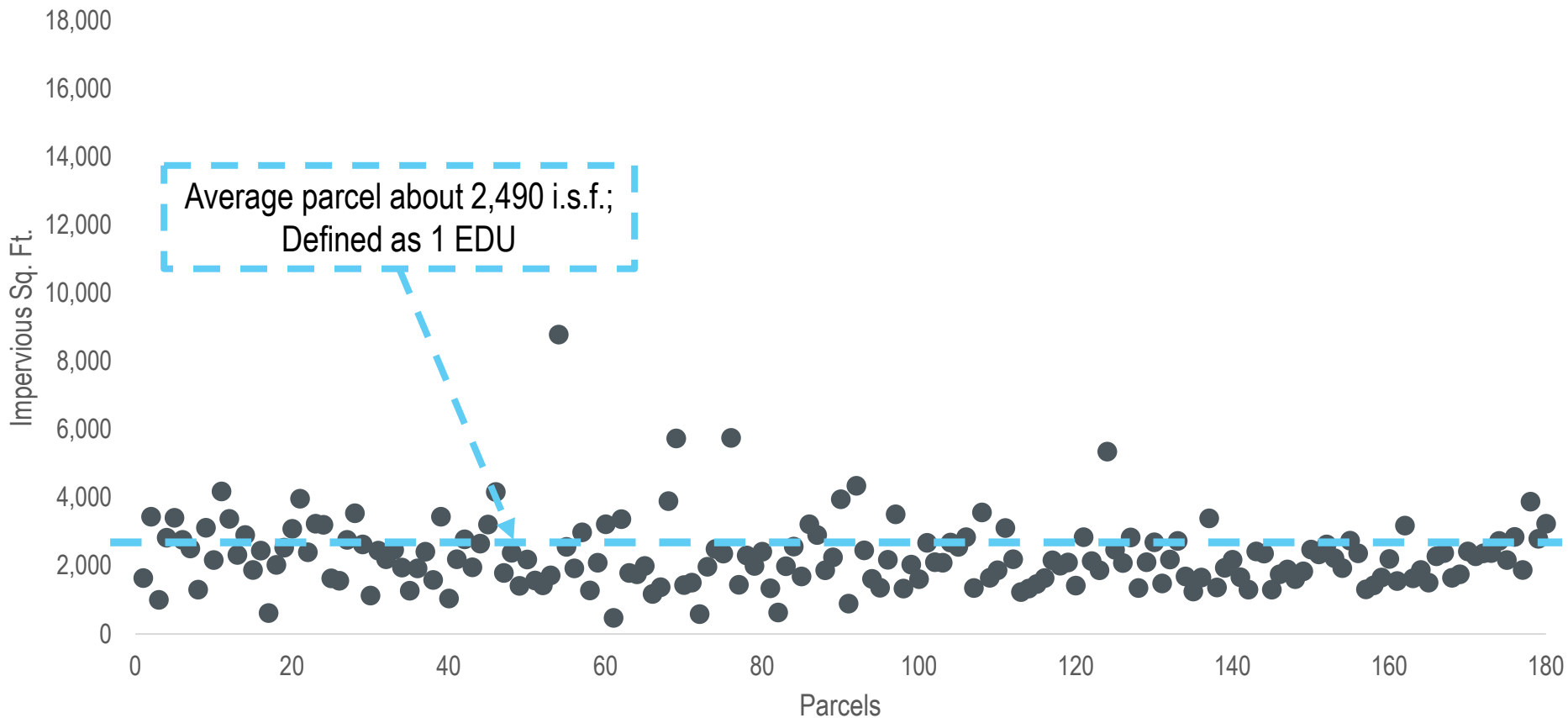
# Recommended EDU Rate Approach

- **Rate expressed in \$ per equivalent dwelling unit (EDU)**
- **Single family developed parcel = 1 EDU**
  - » Uniform rate regardless of impervious area
- **Other developed parcels (multi family, commercial, industrial, etc.)**
  - » Total impervious area ÷ 2,490 impervious square feet = EDUs
  - » Minimum of 1 EDU



# EDU = 2,490 i.s.f.

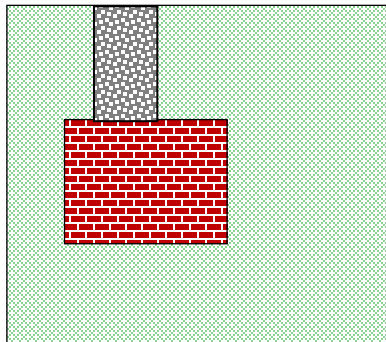
- City staff measured impervious area of all single family parcels
- EDU set to average impervious area of single family parcels: 2,490 i.s.f.





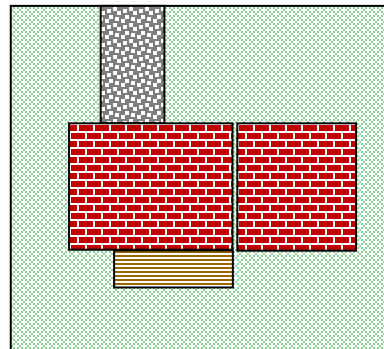
# EDU Rate Structure Basics

- Better aligns cost recovery with impervious area
- Rate expressed in \$ per Equivalent Dwelling Unit (EDU)
- Single family parcels = 1 EDU regardless of impervious area
- Other Developed Parcels = 1 EDU per 2,490 i.s.f.



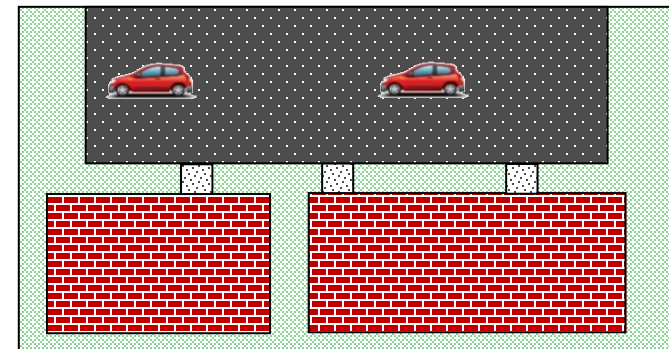
**Single Family**

**2,490 i.s.f = 1 EDU**



**Single Family**

**3,300 i.s.f = 1 EDU**



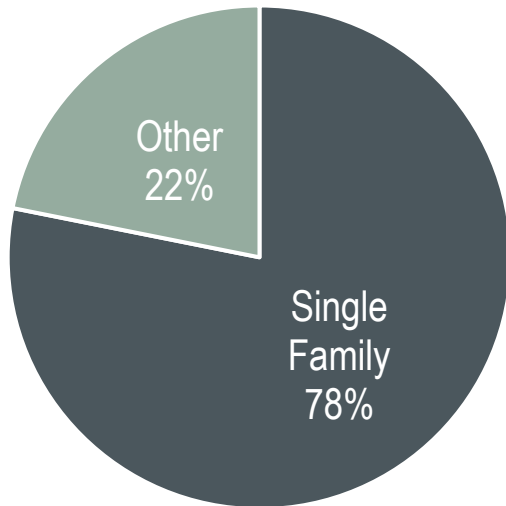
**Commercial**

**12,450 i.s.f = 5.0 EDUs**

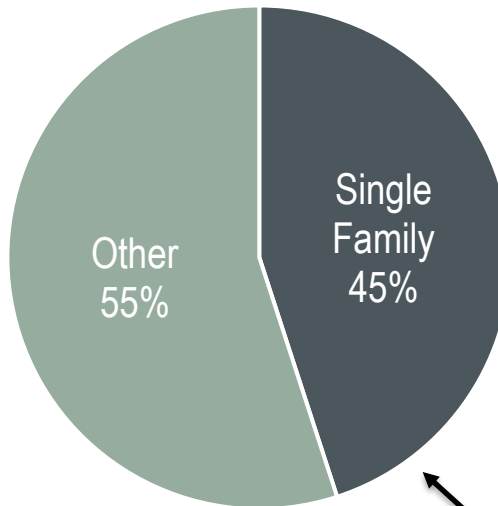


# Balance Between Revenue & Impervious Area

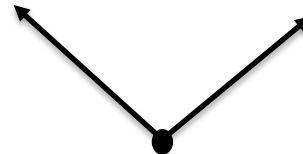
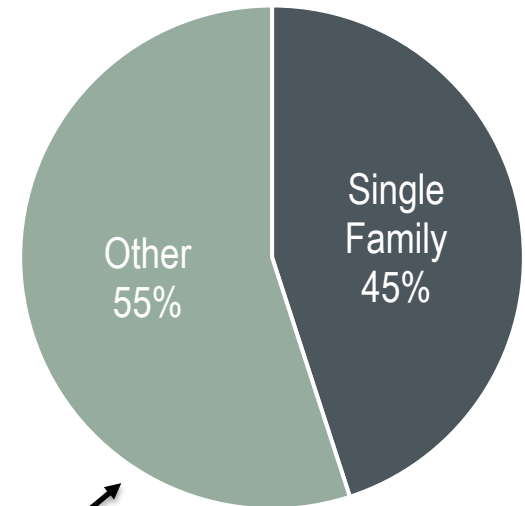
Revenue Under Current Structure



Estimated Impervious Area



Revenue under EDU Structure



**EDU rate structure aligns cost recovery with estimated impervious area**

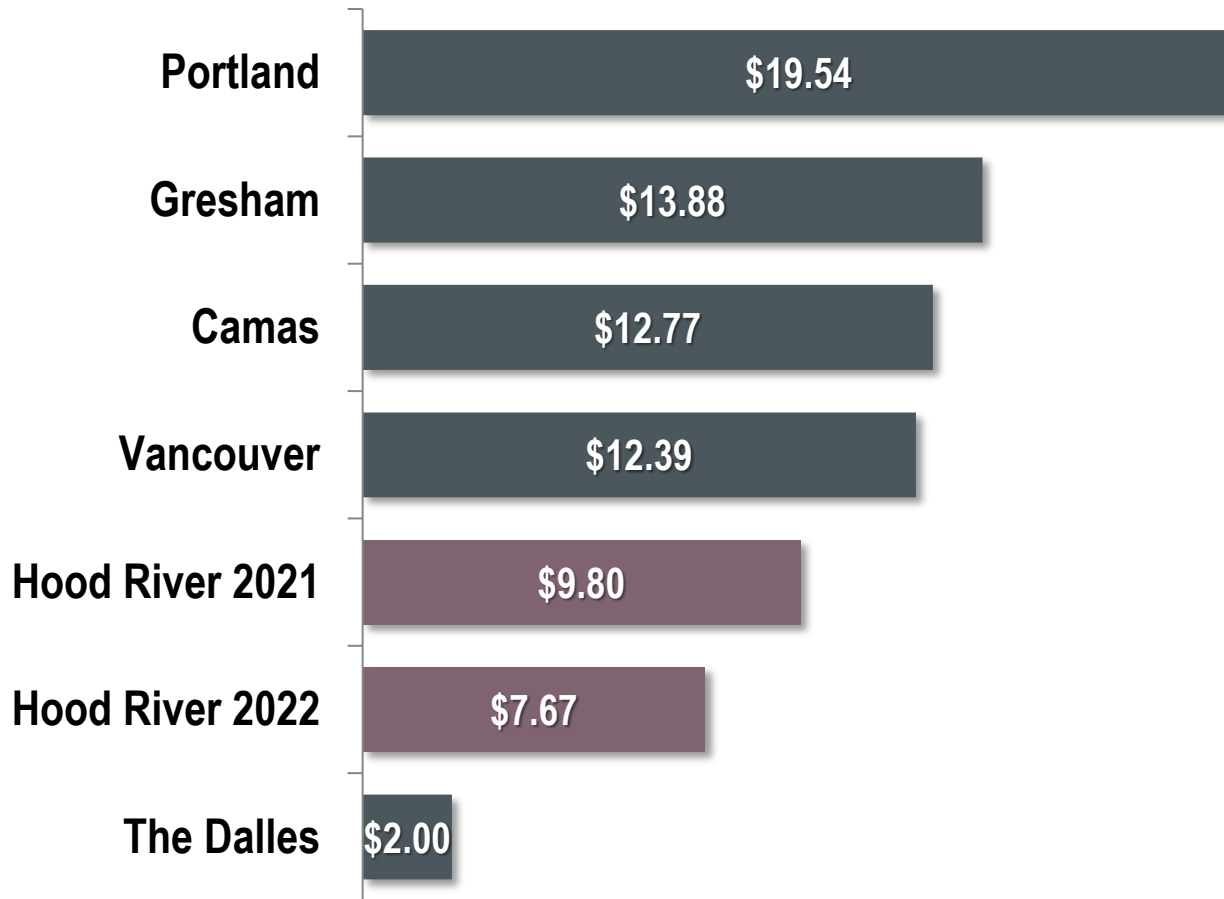


# EDU Rate Calculation

Calculating the Rate per EDU	
FY 2021-22 Revenue Requirement	\$657,562
<i>FY 2021-22 Projected EDUs</i>	<i>7,144</i>
Annual Rate per EDU	\$92.05
<b>Monthly Rate per EDU</b>	<b>\$7.67</b>



# Monthly Residential Stormwater Bill Comparison



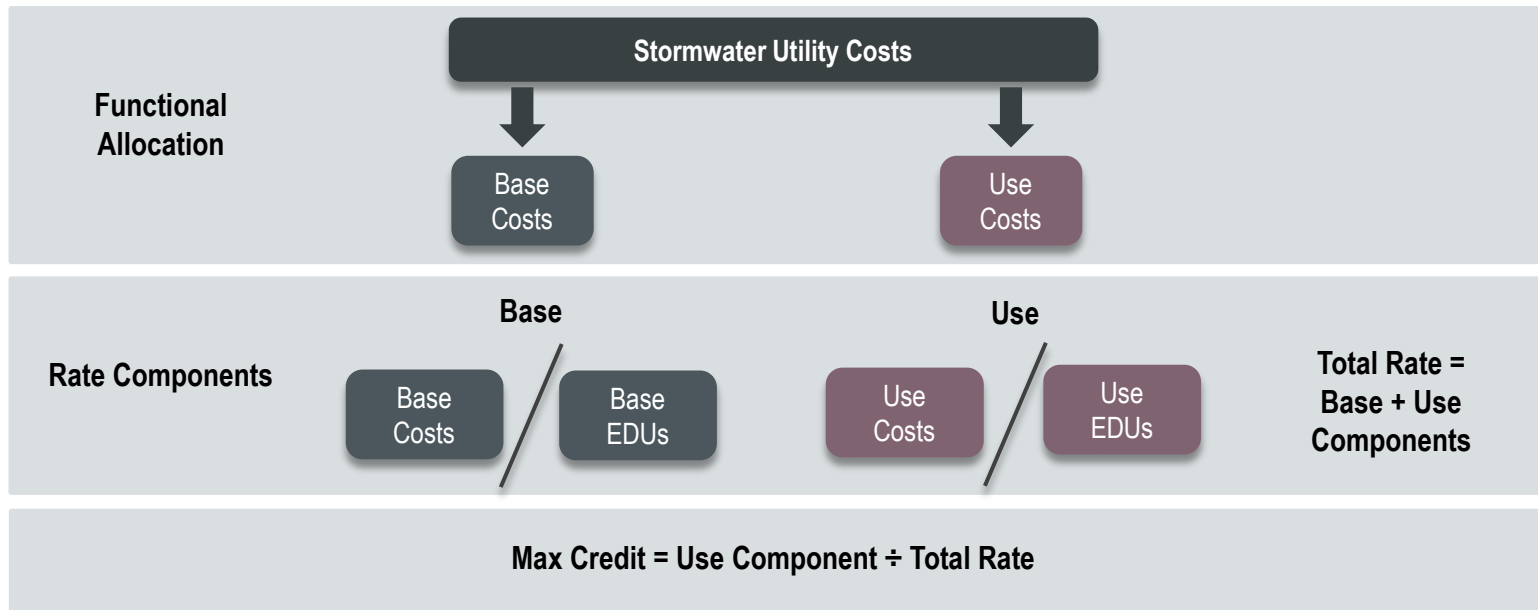


A photograph of a rocky stream with a small waterfall and a pipe in the background. The stream flows over dark, jagged rocks, creating white foam. In the background, there is a concrete structure with a pipe opening, surrounded by lush green foliage.

# Rate Credit Analysis



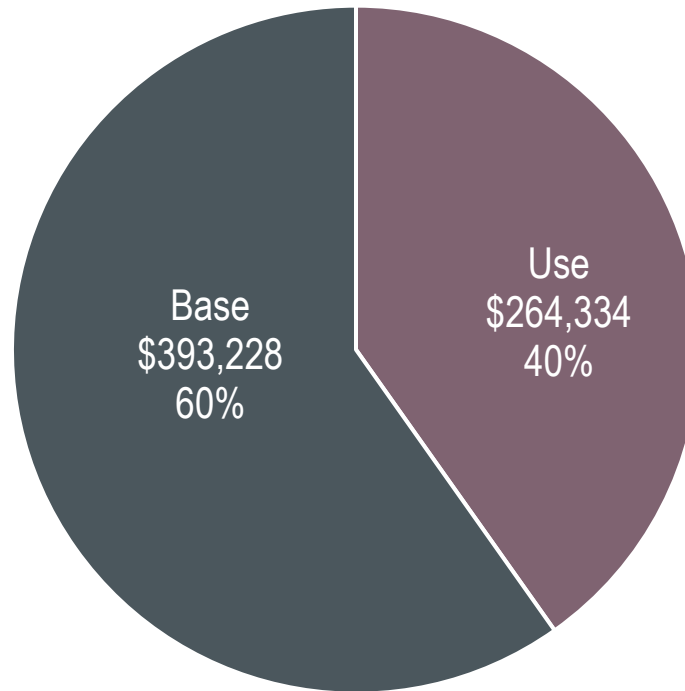
# Maximum Credit Methodology





# FY 2021-22 Functional Cost Allocation

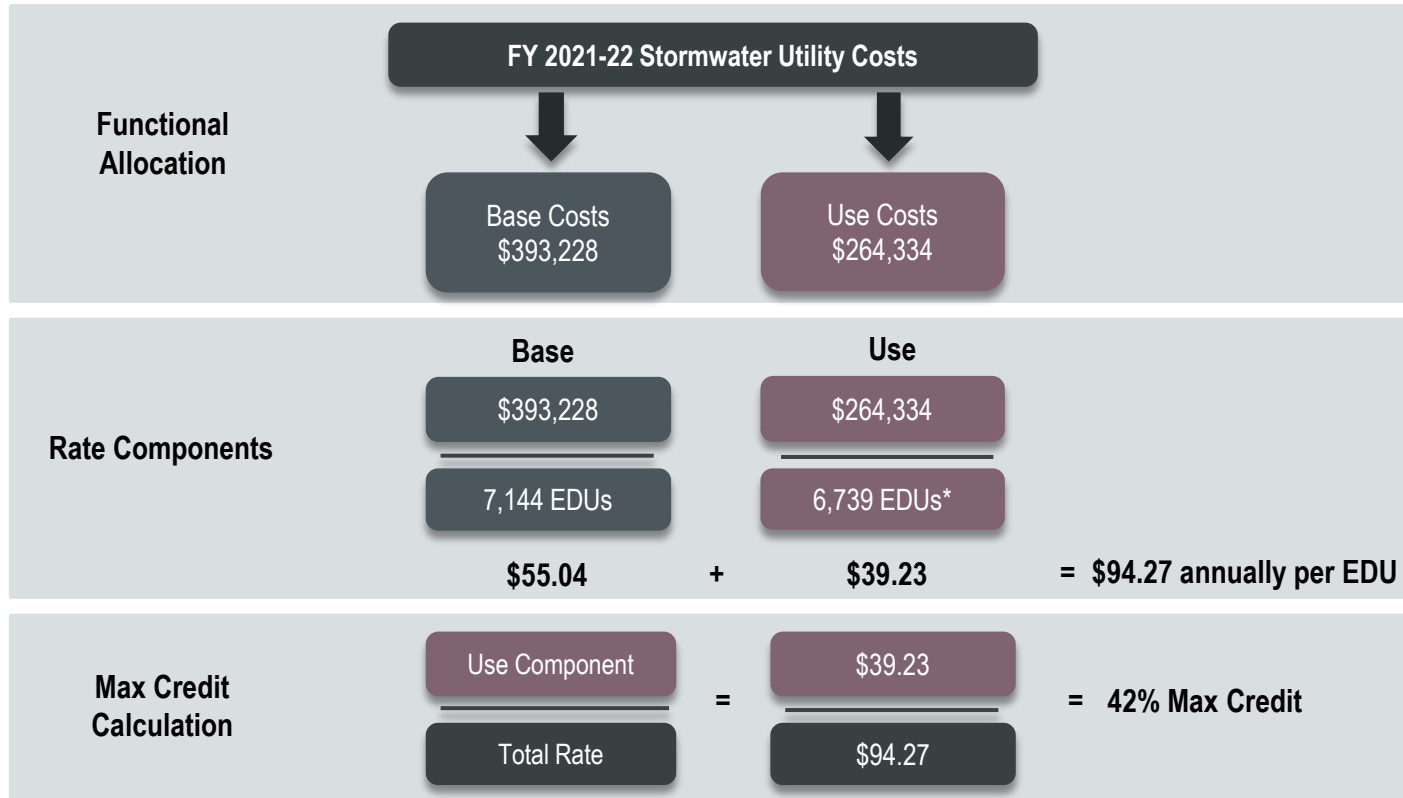
Base  
Costs related to total system



Use  
Costs related to increased burden on the system (water volume or quality)



# Maximum Credit Calculation



\*Assumes 10% of non-residential customers receive credit

- **If credit is implemented, EDU rate for all other customers must increase**
  - » Monthly EDU rate would increase to \$7.86



## Next Steps

- **Presentation on affordability analysis next week (3/15)**
- **Schedule public hearing on stormwater SDC at least 90 days in advance.**
- **Issue notice to interested parties of possible change in stormwater SDC.**

# Doug Gabbard

Project Manager

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**[www.fcsgroup.com](http://www.fcsgroup.com)**



# Utility Rate Study



Presented by  
Doug Gabbard, Project Manager  
Wyatt Zimbelman, Senior Analyst

March 1, 2021



# Presentation Overview

- **Recap of rate study**
- **Overview of rate setting process**
- **Water and sewer rate study results**
  - » Revenue requirement
  - » Cost of service
  - » Rate design
- **Questions / discussion**
- **Next steps**



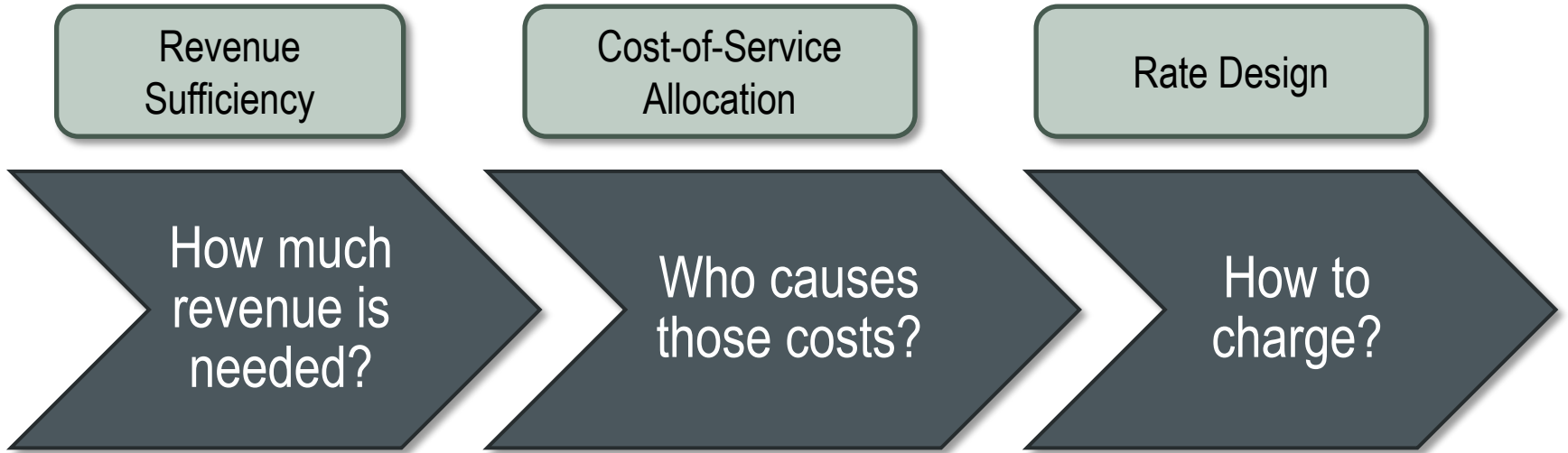


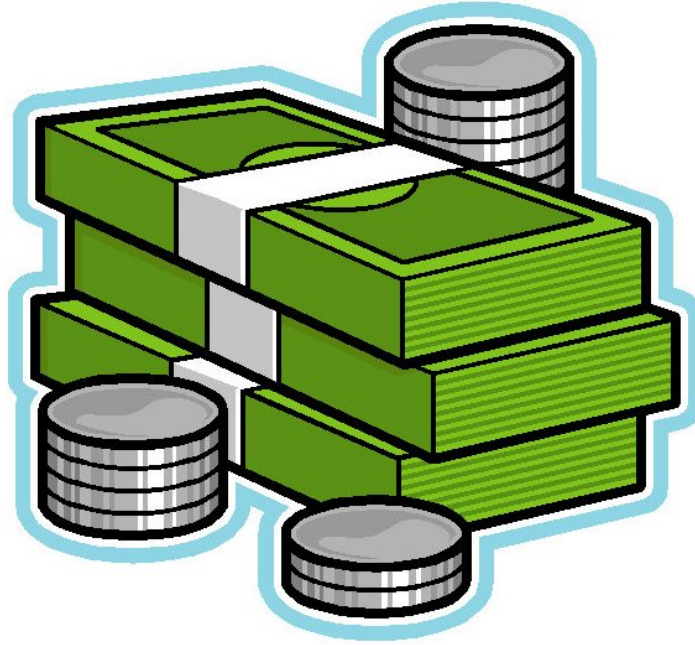
# Where We Are

Status by Task			Gathering Data	Performing Analysis	Reviewing with City	Refining Analysis	Communicating Results	Task Complete
Revenue requirement	Water	2.1	[Green bar]					
Revenue requirement	Wastewater	2.2	[Green bar]					
Revenue requirement	Stormwater	2.3	[Green bar]					
Cost-of-service analysis	Water	3.1	[Green bar]					
Cost-of-service analysis	Wastewater	3.2	[Green bar]					
Credit analysis	Stormwater	3.3	[Green bar]					
Rate design	Water	4.1	[Green bar]					
Rate design	Wastewater	4.2	[Green bar]					
Rate design	Stormwater	4.3	[Green bar]					
System development charge	Stormwater	7.0	[Green bar]					
Affordability analysis		8.0	[Green bar]					



# Components of a Rate Study





# Revenue Requirement Analysis

*How much revenue should rates generate?*



# Key Assumptions

## Annual Cost Inflation

- Salaries: 2.21%
- Benefits: 3.00%
- Other operating costs: 2.21%
- Construction costs: 3.00%

## Annual Customer Growth Rates

- Growth in customer accounts: 1.40%
- No change in per capita water use

## Operating Forecast

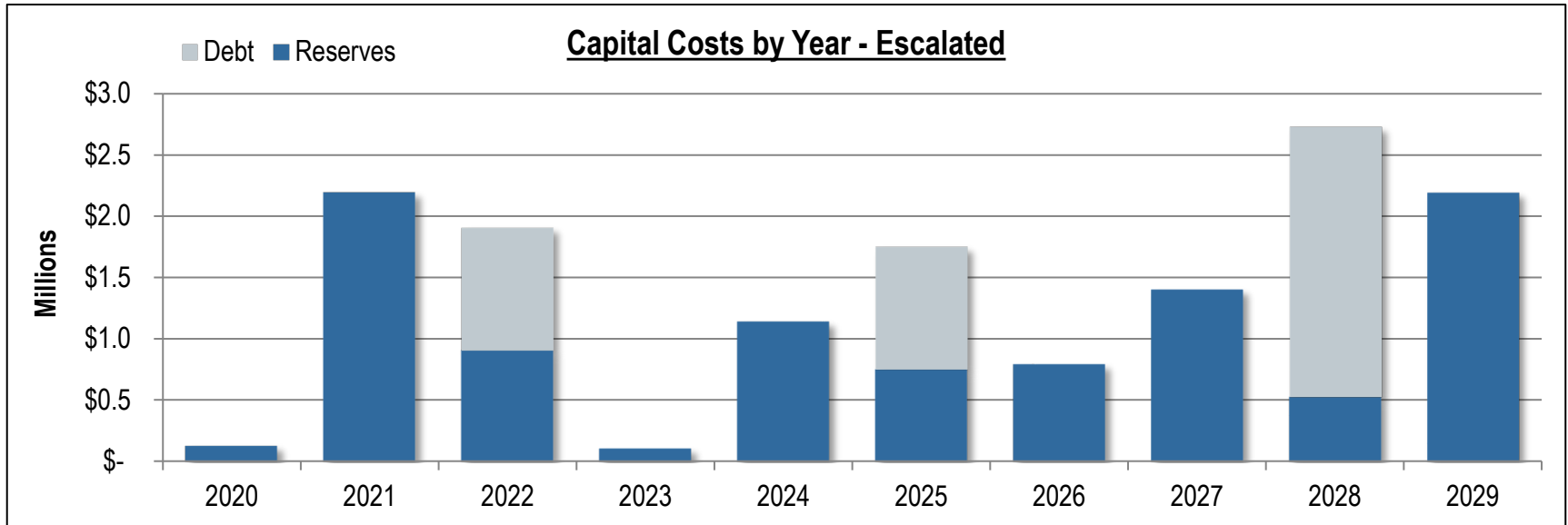
- Rate revenue based on FY 2017-18 actuals, validated with customer billing statistics
- Operating costs and non-rate revenues based on FY 2020-21 Budget
  - Adjusted for inflation in future years

## Future Debt Issuance

- Interfund loan from Equipment Fund
  - Interest rate: investment earning rate (~1.0%)
  - Repayment term: 10 years
- Revenue bonds
  - Interest rate: 4.0%
  - Repayment term: 20 years
  - Issuance costs: 1.0% of amount issued



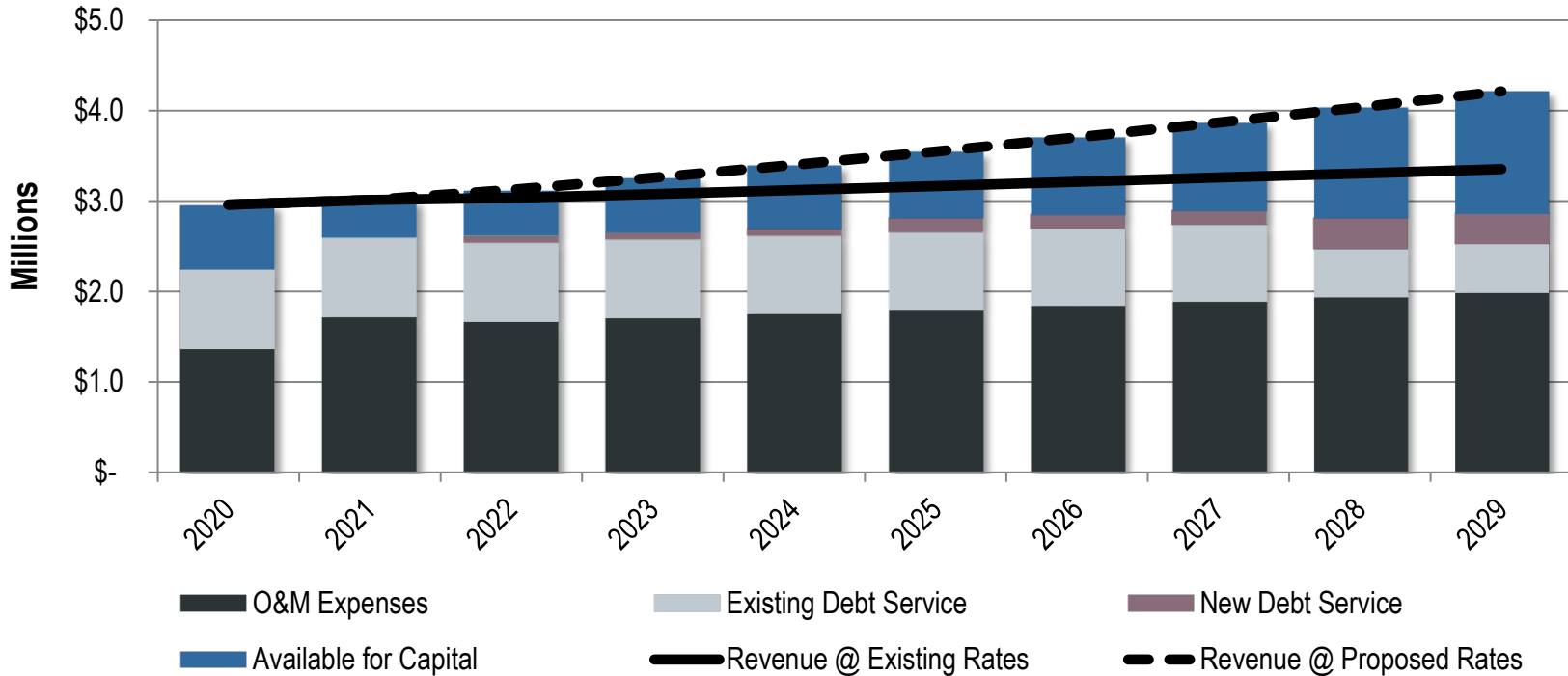
# Capital Funding Forecast - Water



- **\$14.4 million in capital projects (escalated) from FYs 2019-20 through 2028-29**
  - In-Line Hydro: \$2.3M
  - Columbia, 9<sup>th</sup>, Oak: \$1.6M
  - Heights Area Improv: \$2.0M
  - 6<sup>th</sup> & Cascade: \$1.6M
  - East Heights Improv: \$1.5M
  - Montello, Sherman Improv: \$3.0M
- **Cash resources are expected to be insufficient to cover projected costs**
  - » \$1.0 million revenue bond issuances in FYs 2021-22 and 2024-25
  - » \$2.2 million revenue bond issuance in FY 2027-28



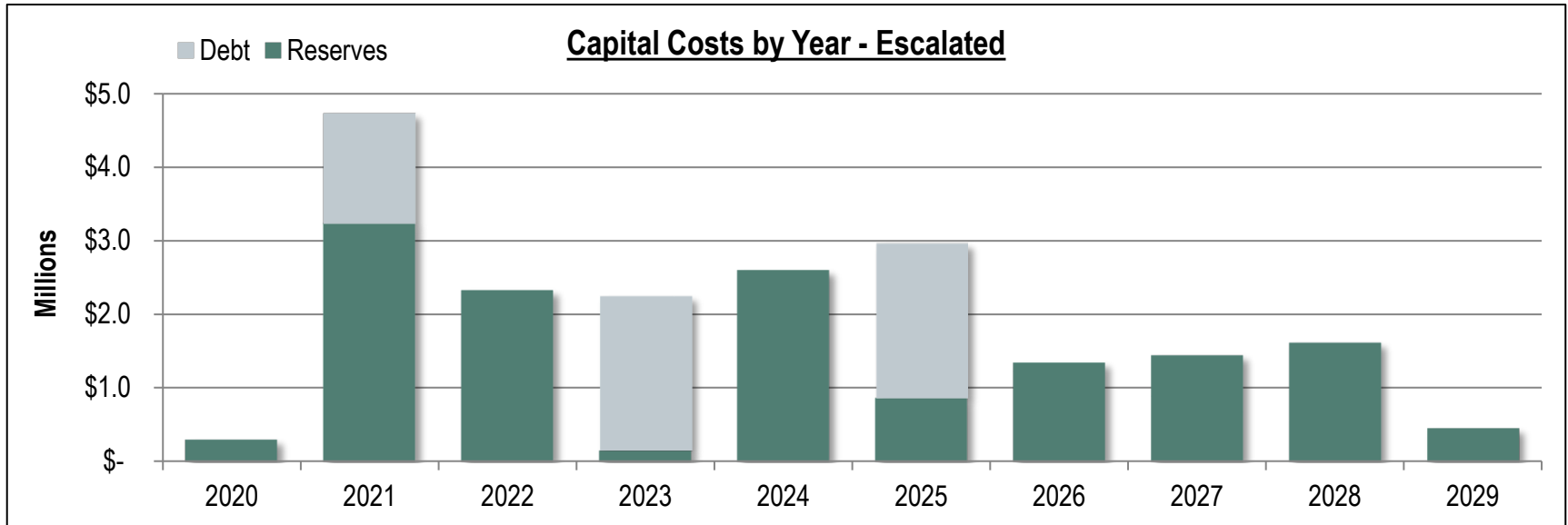
# Revenue Requirement Forecast - Water



- **More rate revenue is needed to support capital projects and debt service**
  - » 3.0% overall annual rate increases recommended from FYs 2021-22 through 2028-29



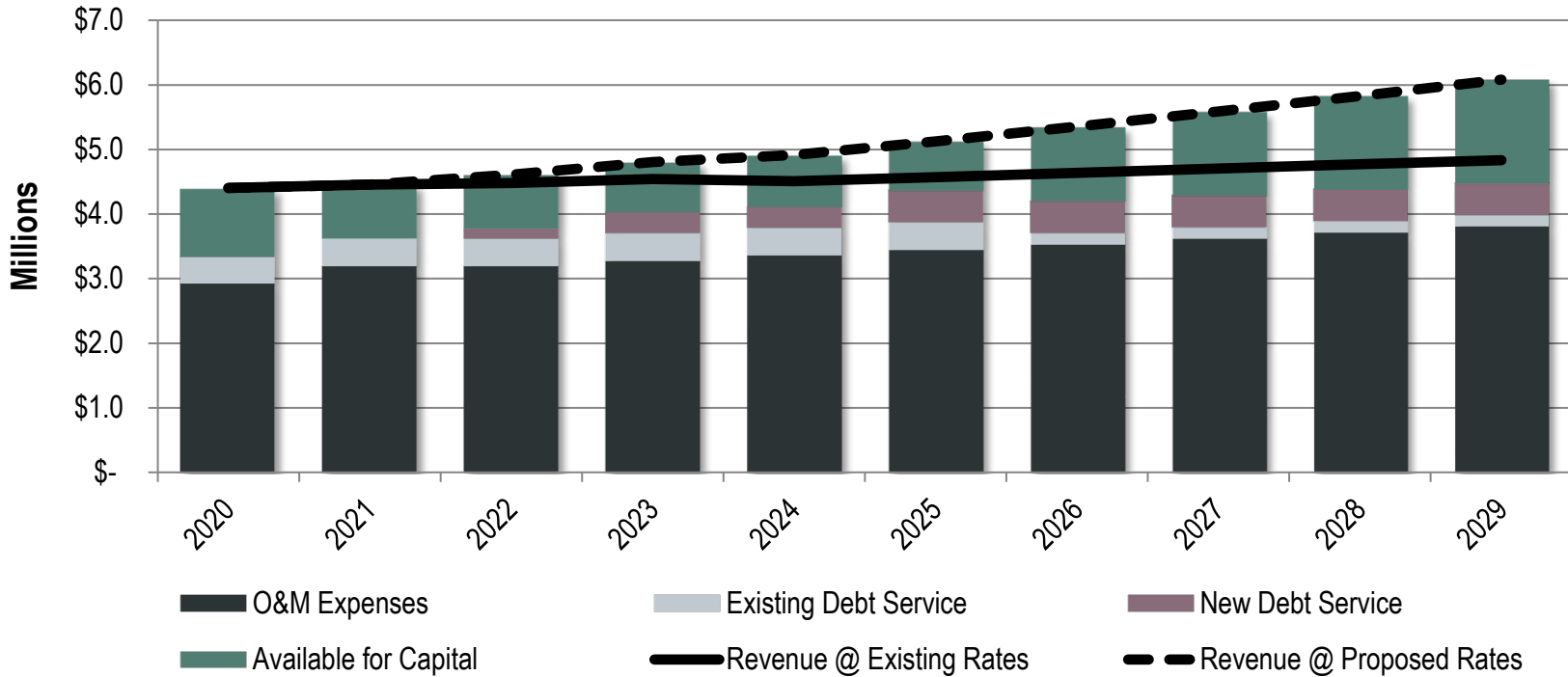
# Capital Funding Forecast - Sewer



- **\$20.0 million in capital projects (escalated) from FYs 2019-20 through 2028-29**
  - Mt. Hood Lift Station: \$3.6M
  - 3<sup>rd</sup>, Pine St. Pipes: \$1.6M
  - UV System: \$2.2M
  - Clay Pipe Replacement: \$2.9M
  - Digester Gas Mixing: \$1.7M
  - Short-Lived Assets: \$1.5M
- **Cash resources are expected to be insufficient to cover projected costs**
  - » \$1.5 million interfund loan from Equipment Fund budgeted in FY 2020-21
  - » \$2.1 million revenue bond issuances in FYs 2022-23 and 2024-25



# Revenue Requirement Forecast - Sewer



- **More rate revenue is needed to support capital projects and debt service**
  - » 3.0% overall annual rate increases recommended from FYs 2021-22 through 2028-29



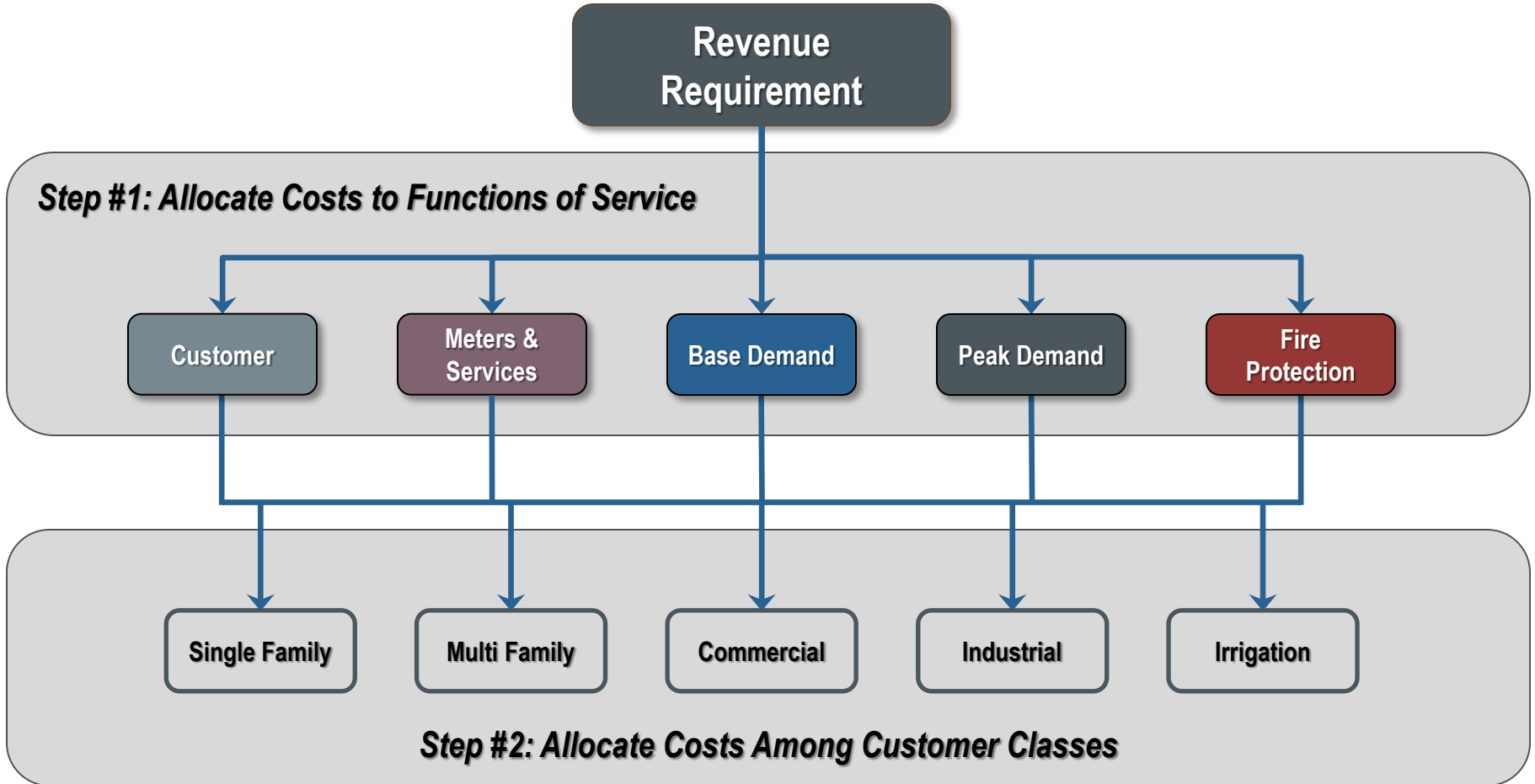


## **Cost-of-Service Analysis**

***How much should each customer class pay?***

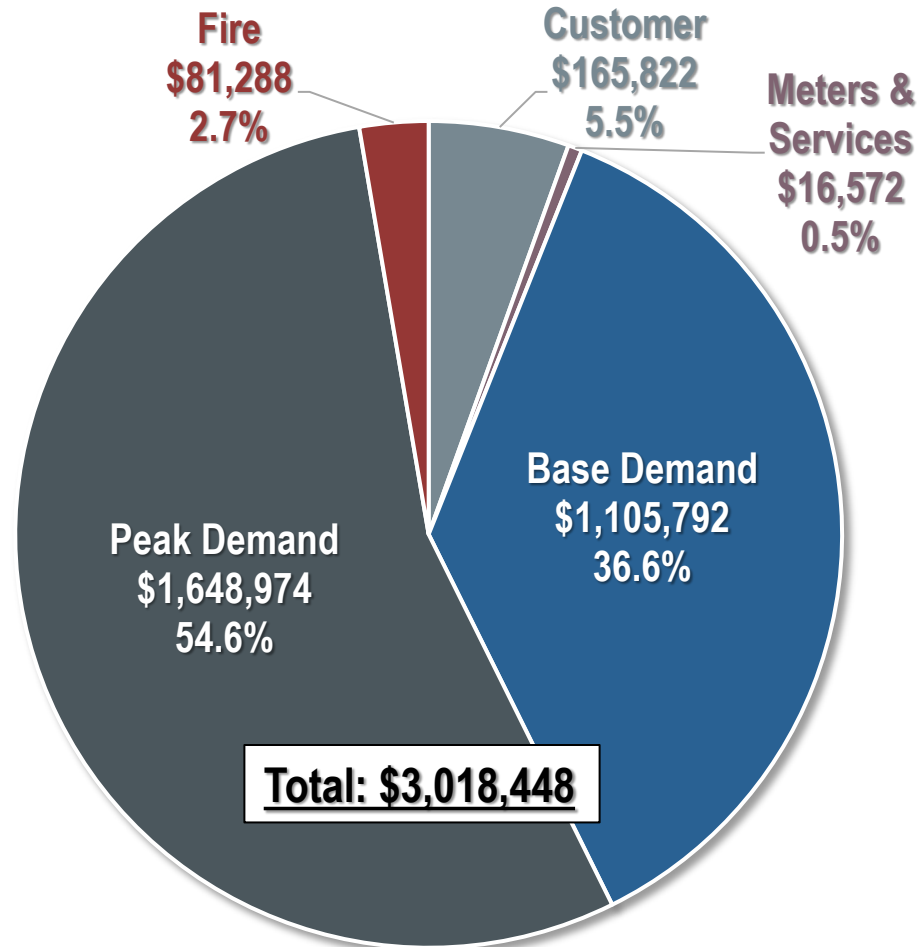


# Water COSA Methodology





# Allocation of FY 2021-22 Water Revenue Requirement





# Water Customer Classes

## Single Family

- Largest customer group
- Relatively low usage per account, high peak demand

## Multi Family

- Usage per dwelling unit lower than single family account
- Relatively constant use

## Commercial

- Diversity in use per account
- Relatively constant use

## Industrial

- High volume significant industrial customers
- Lowest peaking, most constant use

## Irrigation

- Majority of use in peak season
- No fire flow requirement



# Allocating Costs to Customer Classes

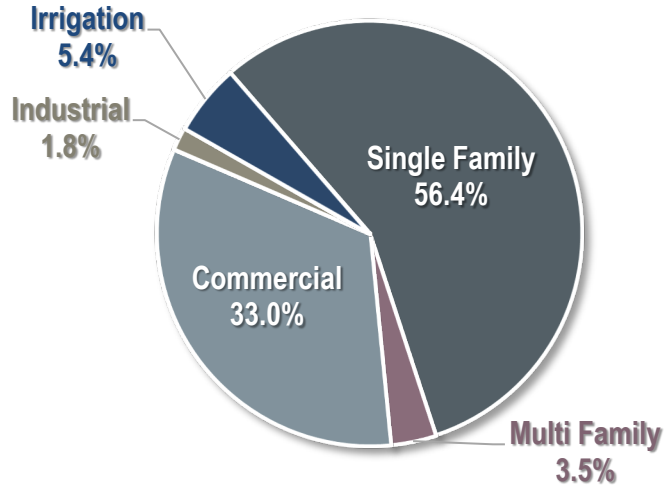
	Customer	Meters & Svcs	Base Demand	Peak Demand	Fire Protection
Allocation Basis	Accounts	MSEs	Annual Use	Peak Month Use	Fire Wtd Acts <sup>1</sup>
Projected FY 2021-22 Metrics:					
Single Family	2,749	2,769	221,856	40,246	4,124
Multi Family	47	100	14,970	1,829	94
Commercial	435	652	199,931	25,476	871
Industrial	3	15	16,176	1,594	6
Irrigation	59	78	40,661	11,071	-
Total	3,293	3,615	493,593	80,216	5,094
Percent of Total:					
Single Family	83.5%	76.6%	44.9%	50.2%	80.9%
Multi Family	1.4%	2.8%	3.0%	2.3%	1.8%
Commercial	13.2%	18.0%	40.5%	31.8%	17.1%
Industrial	0.1%	0.4%	3.3%	2.0%	0.1%
Irrigation	1.8%	2.2%	8.2%	13.8%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

<sup>1</sup> Accounts weighted by fire flow requirement

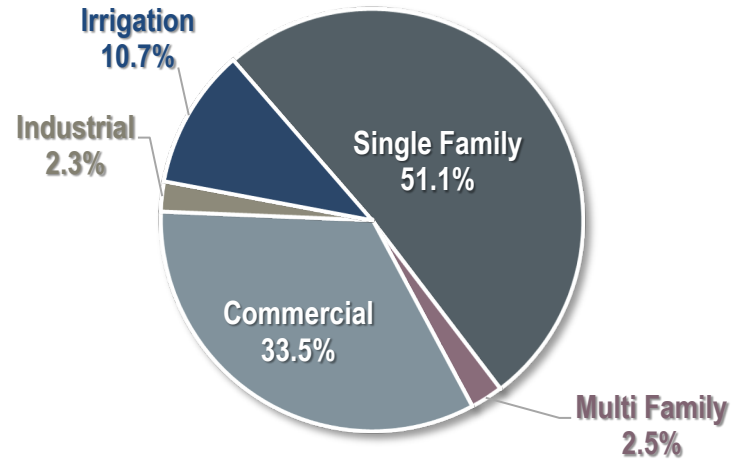


# Allocation of FY 2021-22 Revenue Requirement

**Cost Recovery Under Existing Rates**



**Allocated Cost of Service**



**Allocated Shares of FY 2021-22 Revenue Requirement by Function**

Customer Class	Customer	Meters & Services	Base Demand	Peak Demand	Fire Protection	Total (COS)	Current Cost Recovery	% Adj. to Reach COS
Single Family	\$ 138,432	\$ 12,696	\$ 497,022	\$ 827,319	\$ 65,799	\$1,541,268	\$1,651,990	-6.7%
Multi Family	2,361	456	33,537	37,605	1,496	75,456	101,484	-25.6%
Commercial	21,928	2,990	447,903	523,708	13,897	1,010,426	966,365	+4.6%
Industrial	151	70	36,239	32,761	96	69,316	52,046	+33.2%
Irrigation	2,951	359	91,092	227,580	-	321,982	158,647	+103.0%
<b>Total</b>	<b>\$ 165,822</b>	<b>\$ 16,572</b>	<b>\$1,105,792</b>	<b>\$1,648,974</b>	<b>\$ 81,288</b>	<b>\$3,018,448</b>	<b>\$2,930,532</b>	<b>+3.0%</b>



# Water COS Implementation Strategy

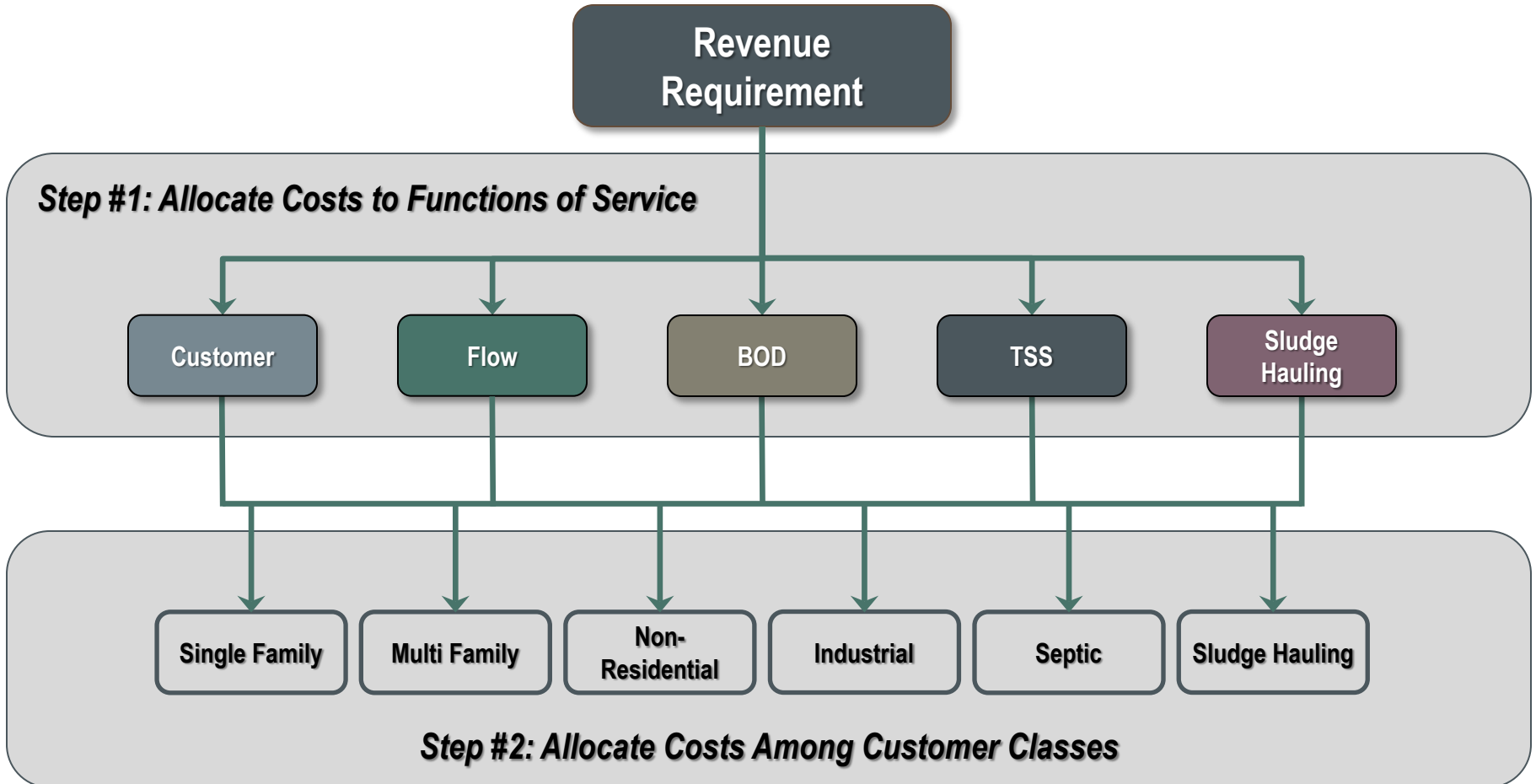
Rate Increases	2022	2023	2024	2025	2026
Single Family	+1.00%	+1.00%	+1.00%	+1.00%	+1.00%
Multi Family	+0.00%	+0.00%	+0.00%	+0.00%	+0.00%
Commercial	+3.50%	+3.50%	+3.50%	+3.50%	+3.50%
Industrial	+8.50%	+8.50%	+8.50%	+8.50%	+8.50%
Irrigation	+18.00%	+18.00%	+18.00%	+18.00%	+18.00%
<b>Total</b>	<b>+2.84%</b>	<b>+2.99%</b>	<b>+3.16%</b>	<b>+3.34%</b>	<b>+3.54%</b>

2026 Revenue Req.	Amount	% of Total
Single Family	\$1,835,549	50.7%
Multi Family	107,287	3.0%
Commercial	1,213,375	33.5%
Industrial	78,259	2.2%
Irrigation	383,702	10.6%
<b>Total</b>	<b>\$ 3,618,172</b>	<b>100.0%</b>

- **Recommended strategy: phase COSA findings in over five years**
  - » Rather than decreasing multi family rates, they are held at existing rates until the other classes catch up
  - » All classes except for multi family reach their allocated cost of service by FY 2025-26
  - » Overall annual increases deviate slightly from 3.0% target to facilitate logical progression of rates over time
- **Beyond FY 2025-26, rate revenue adjustments would apply across-the-board**



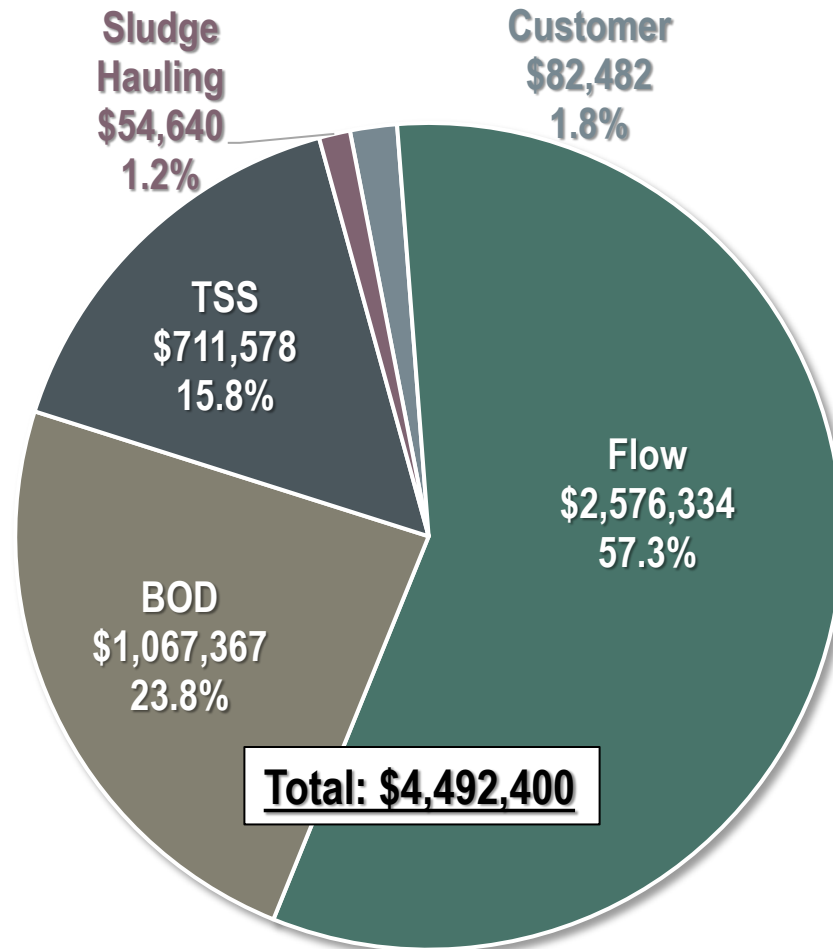
# Sewer COSA Methodology







# Allocation of FY 2021-22 Sewer Revenue Requirement





# Sewer Customer Classes

## Single Family

- Largest customer class by number of accounts
- Not billed for usage, sewer flow estimated

## Multi Family

- Lower use per unit than single family accounts
- Sewer strength similar to single family

## Non-Residential

- Fewer accounts, but majority of sewer flow
- Varying sewage strength

## Industrial

- High volume, high strength industrial users
- Billed on measured flows and loadings

## Septic

- Commercial septic haulers
- Billed per gallon of septage

## Sludge Hauling

- Sludge hauled to WWTP from neighboring communities
- COS considers direct costs (i.e. sludge transportation)



# Allocating Costs to Customer Classes

	Customer	Flow	BOD	TSS
Allocation Basis	Accounts	Sewer Flow <sup>1</sup>	BOD Loading <sup>2</sup>	TSS Loading <sup>2</sup>
Projected FY 2021-22 Metrics:				
Single Family	3,407	162,741	749,140	515,130
Multi Family	48	15,700	72,272	49,696
Non-Residential	488	197,229	1,376,565	946,565
Industrial	2	25,194	233,115	50,818
Septic	5	657	29,600	6,578
Sludge Hauling	3	-	-	3,869
<b>Total</b>	<b>3,953</b>	<b>401,521</b>	<b>2,460,692</b>	<b>1,572,656</b>
Percent of Total:				
Single Family	86.2%	40.5%	30.4%	32.8%
Multi Family	1.2%	3.9%	2.9%	3.2%
Non-Residential	12.4%	49.1%	55.9%	60.2%
Industrial	0.1%	6.3%	9.5%	3.2%
Septic	0.1%	0.2%	1.2%	0.4%
Sludge Hauling	0.1%	0.0%	0.0%	0.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

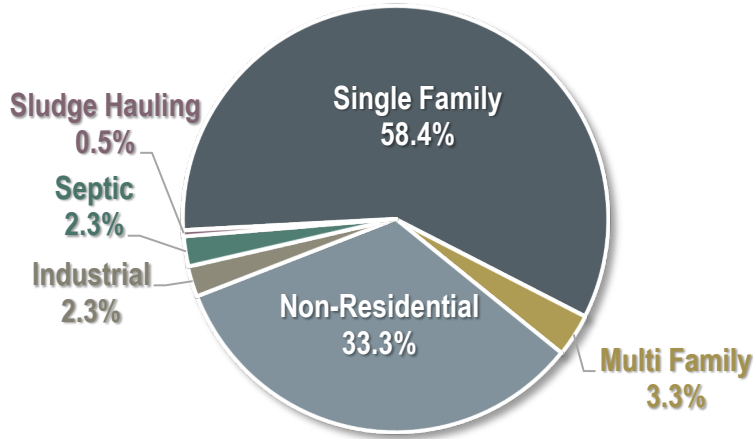
<sup>1</sup> Flow estimated for Single Family, billed usage for all other classes

<sup>2</sup> Loadings based on assumed strength by class, known loadings for Industrial

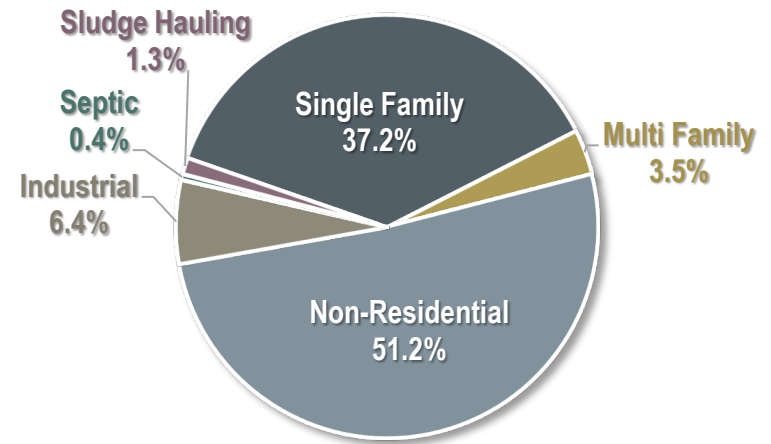


# Allocation of FY 2021-22 Revenue Requirement

**Cost Recovery Under Existing Rates**



**Allocated Cost of Service**



Customer Class	Allocated Shares of FY 2021-22 Revenue Requirement by Function						Current Cost Recovery*	% Adj. to Reach COS
	Customer	Flow	BOD	TSS	Sludge Hauling	Total (COS)		
Single Family	\$ 71,081	\$ 1,044,218	\$ 324,952	\$ 233,080	\$ -	\$ 1,673,331	\$ 2,547,855	-34.3%
Multi Family	1,004	100,739	31,349	22,486	-	155,578	142,309	+9.3%
Non-Residential	10,188	1,265,508	597,108	428,291	-	2,301,096	1,454,389	+58.2%
Industrial	42	161,654	101,118	22,994	-	285,807	100,649	+184.0%
Septic	104	4,215	12,840	2,976	-	20,135	100,070	-79.9%
Sludge Hauling	63	-	-	1,751	56,640	56,453	19,773	+185.5%
<b>Total</b>	<b>\$ 82,482</b>	<b>\$ 2,576,334</b>	<b>\$ 1,067,367</b>	<b>\$ 711,578</b>	<b>\$ 56,640</b>	<b>\$ 4,492,400</b>	<b>\$ 4,365,044</b>	<b>+3.0%</b>



# Sewer COS Implementation Strategy

Rate Increases	2022	2023	2024	2025	2026
Single Family	+2.00%	+2.00%	+2.00%	+0.00%	+0.00%
Multi Family	+4.00%	+4.00%	+4.00%	+4.00%	+4.00%
Non-Residential	+0.00%	+8.00%	+8.00%	+8.00%	+8.00%
Industrial	+15.00%	+15.00%	+15.00%	+15.00%	+15.00%
Septic	-79.88%	+3.00%	+3.00%	+3.00%	+3.00%
Sludge Hauling	+185.51%	+3.00%	+3.00%	+3.00%	+3.00%
<b>Total</b>	<b>+0.65%</b>	<b>+4.41%</b>	<b>+4.51%</b>	<b>+3.48%</b>	<b>+3.65%</b>

2026 Revenue Req.	Amount	% of Total
Single Family	\$2,858,426	52.7%
Multi Family	183,042	3.4%
Non-Residential	2,091,835	38.5%
Industrial	202,441	3.7%
Septic	23,958	0.4%
Sludge Hauling	67,172	1.2%
<b>Total</b>	<b>\$5,426,874</b>	<b>100.0%</b>

- **Recommended strategy: move towards COSA findings over five years**
  - » Septic and sludge hauling fully implement COS rates in first year
  - » Rather than decreasing single family rates, they are increased at rates lower than the overall systemwide rate increases
  - » Non-residential held flat in FY 2021-22 as rate design is implemented
  - » All classes make progress towards cost of service by FY 2025-26
  - » Overall annual increases deviate from 3.0% target to facilitate logical progression of rates over time
- **Beyond FY 2025-26, rate revenue adjustments would apply across-the-board**



# Rate Structure Analysis

*How should rates be set to meet the utility's objectives?*



# Existing Rates FY 2020-21

Water	Rate
Monthly Base Fee	
3/4"	\$41.35
1"	\$70.29
1-1/2"	\$124.06
2"	\$222.02
3"	\$442.42
4"	\$690.47
6"	\$1,376.89
Charge per 1,000 gal used	
Residential (> than 5 kgal/month)	\$2.56
Commercial	\$2.56

Sewer	Rate
Monthly Base Fee	
3/4"	\$62.39
1"	\$105.82
1-1/2"	\$205.59
2"	\$330.16
3"	\$666.46
4"	\$1,040.39
6"	\$2,074.34
Non-Residential Charge per 1,000 gal	
Low BOD <401	\$2.72
Medium BOD <801	\$4.06
High BOD >800	\$5.40
Permitted Industrial Users	
Flow per gallon	\$0.00143
BOD per lbs	\$0.18
TSS per lbs	\$0.29
Sludge and Septic	
Sludge per lbs	\$0.12
Septic per gallon	\$0.20



# Rate Design

- **Produce sufficient revenue to meet utility financial requirements**
- **Collect the target phase-in revenue level for each class of service**
- **Meet the goals and objectives of the utility**
- **Rate design considerations:**
  - » Water:
    - Maintain existing base fees – one charge per meter size
    - Expand volume charges – individual rates for each customer class
  - » Sewer:
    - Maintain existing base fee structure – one charge per meter size
      - Increase base fees with single family rate increases
    - Expand volume charge:
      - Separate multi family from non-residential
      - Increase the number of non-residential strength classes





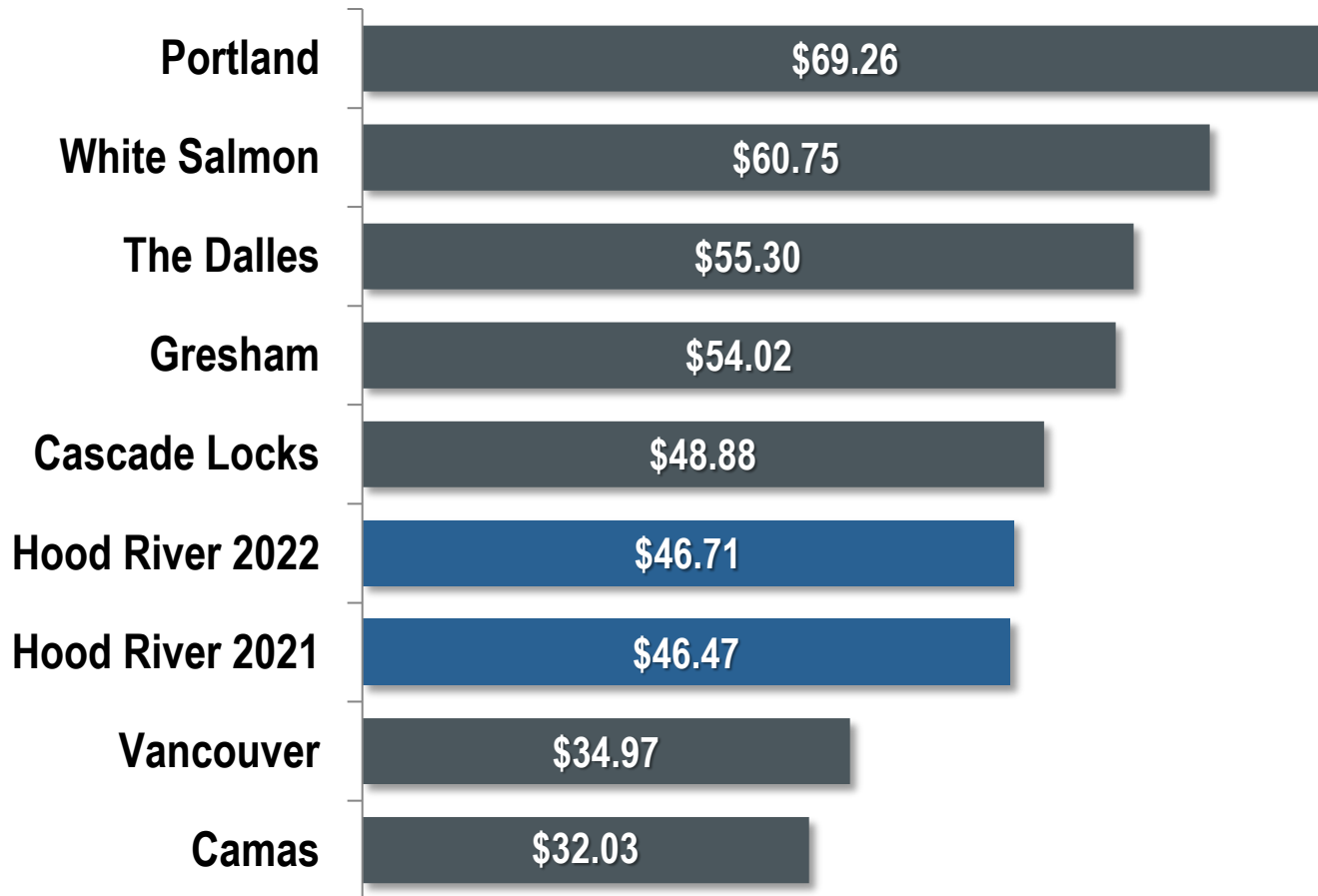
# COS Phase-in Water Rates FY 2021-22

Water	Rate
Monthly Base Fee	
3/4"	\$41.35
1"	\$70.29
1-1/2"	\$124.06
2"	\$222.02
3"	\$442.42
4"	\$690.47
6"	\$1,376.89
Charge per 1,000 gal used	
Residential (> than 5 kgal/month)	\$2.68
Multi Family	\$2.56
Commercial	\$2.73
Industrial	\$2.83
Irrigation	\$3.23

- **Recommended strategy: implement cost of service through volume charges**
  - » Monthly base fees unchanged from FY 2020-21 – all customer classes pay same rates
  - » Volume charges increase for all classes except multi family



## Monthly Bill Comparison – 3/4” Residential, 7,000 gal





# Non-Residential Sewer Classifications

Proposed Rate Classification	BOD Concentration (mg/L)	Example Businesses
Standard	< 500	all businesses not specified in other strength categories, with City discretion to assign unspecified businesses to higher strength categories
Low	501 – 1,000	car wash, coffee shop, convenience store, gas station, hospital, restaurant, supermarket
Medium	1,001 – 1,500	bakery, meat shop
High	1,501 – 2,000	industrial laundry, mortuary
Super High	> 2,000	brewery, dairy, distillery, slaughterhouse

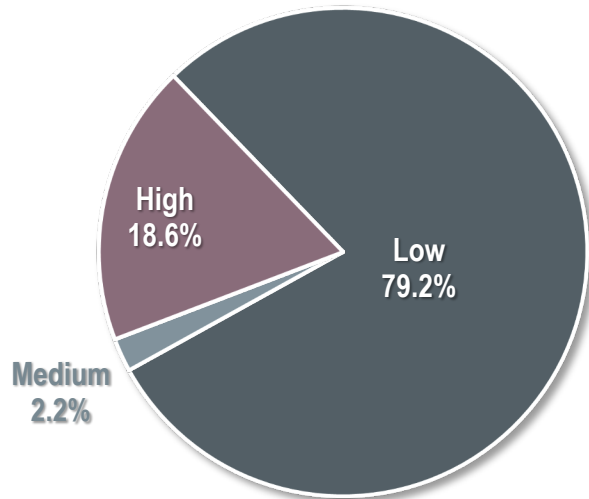


# Non-Residential Sewer Strength Charges

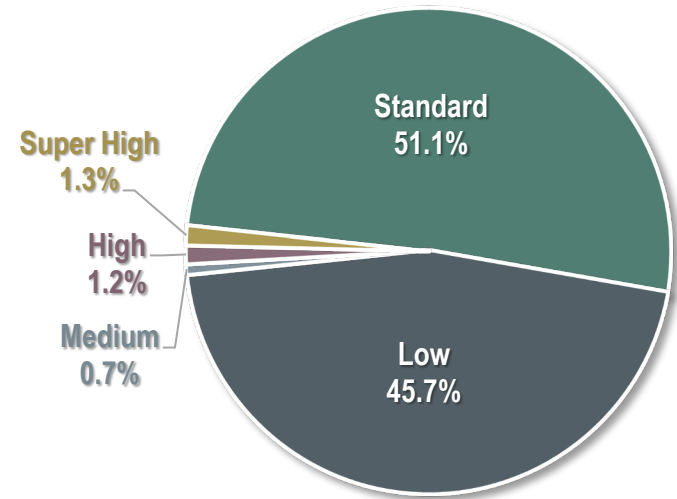
Existing Rate Classification	BOD Concentration (mg/L)	Rate per kgal
Low	< 401	\$2.72
Medium	401 – 800	\$4.06
High	> 800	\$5.40

Proposed Rate Classification	BOD Concentration (mg/L)	Rate per kgal
Standard	< 500	\$3.00
Low	501 – 1,000	\$3.26
Medium	1,001 – 1,500	\$4.52
High	1,501 – 2,000	\$5.52
Super High	> 2,000	\$6.13

Flow with Existing Rates



Flow with Expanded Rates





# COS Phase-in Sewer Rates FY 2021-22

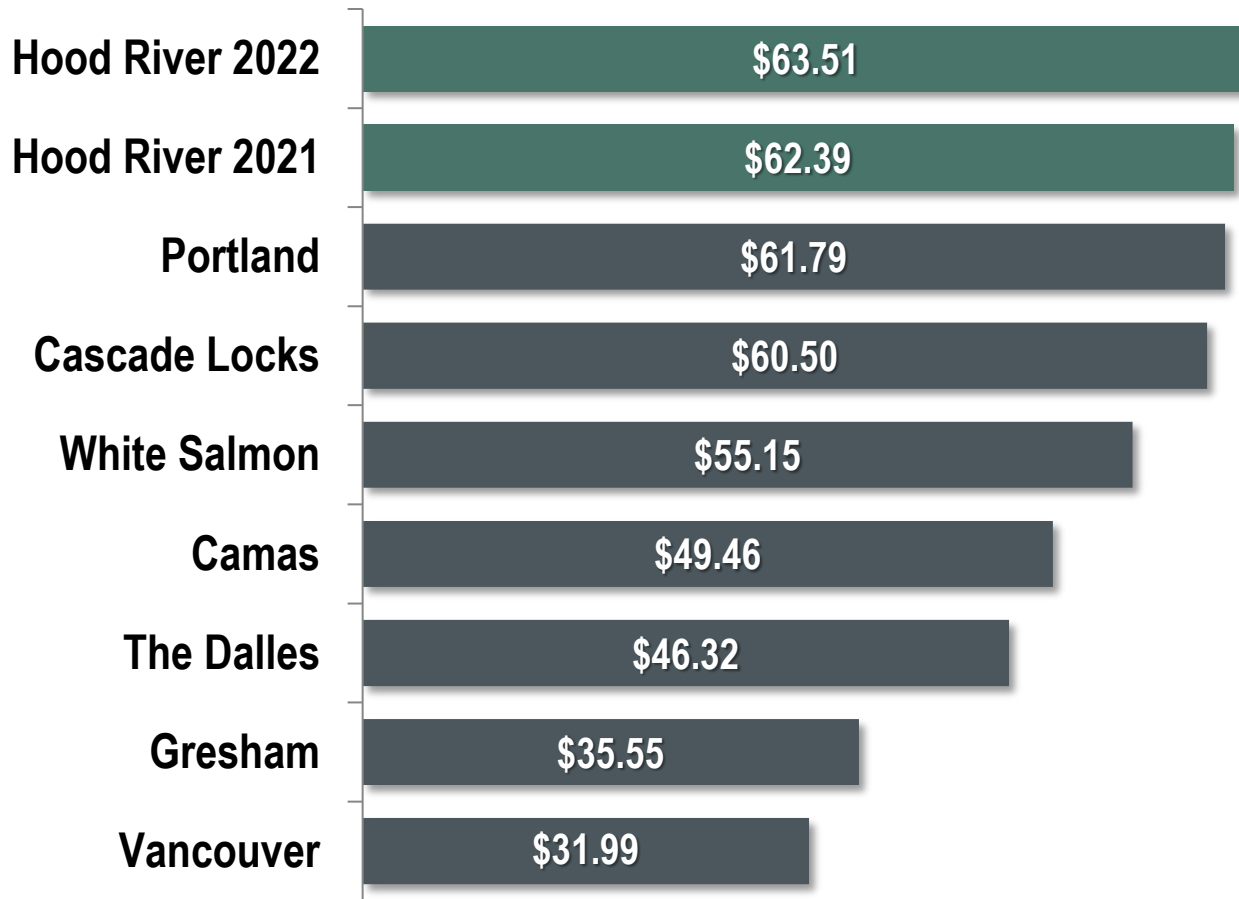
Sewer Fixed Charges	Rate
Monthly Base Fee	
3/4"	\$63.51
1"	\$107.72
1-1/2"	\$209.29
2"	\$336.10
3"	\$678.45
4"	\$1,059.11
6"	\$2,111.66

Sewer Volume Charges	Rate
Non-Residential Charge per 1,000 gal	
Multi Family	\$2.94
Standard	\$3.00
Low	\$3.26
Medium	\$4.52
High	\$5.52
Super High	\$6.13
Permitted Industrial Users	
Flow per gallon	\$0.00166
BOD per lb	\$0.21
TSS per lb	\$0.34
Sludge and Septic	
Sludge per lb	\$0.34
Septic per gallon	\$0.04

- **Recommended strategy: implement cost of service through volume charges**
  - » Monthly base fee increased with single family increase – all classes pay same rates
  - » Non-residential volume charges expanded to better capture high-strength users
    - Non-residential rate differentials increase as COS is phased in
  - » Sludge hauling and septic reach cost of service in FY 2021-22



## Monthly Bill Comparison – 3/4” Residential, 4,000 gal





## Next Steps

- **Finalization of stormwater revenue requirement**
- **Examination of stormwater credit policy**
- **Finalization of stormwater SDC**
- **Finalization of affordability analysis**

# Doug Gabbard

Project Manager

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Contact FCS GROUP:

**(425) 867-1802**

**[www.fcsgroup.com](http://www.fcsgroup.com)**



# CITY COUNCIL WORKSHOP COVER SHEET

**Meeting Date:** March 15th, 2021  
**To:** City Council  
**From:** Dustin Nilsen, Director of Planning  
**Subject:** Continuation of Middle Housing Public Hearing File:2020-37

## **Background:**

Developing code language for missing middle housing types (duplexes, triplexes and cottages) is a project on the City Council 2020 workplan. The purpose of the project is to establish a clear process and regulatory frame work to allow greater diversity of these needed housing types.

At its March 1<sup>st</sup> workshop Council reviewed the draft code, recommendations, and revised test fit designs to ensure the regulations were drafted to adequately address the Council's policy regarding the regulation and approval of Middle Housing developments.

Based on Council feedback and recommendations, staff made several clarifications to the draft code and prepared a supporting ordinance for approval. During its discussion, Council was supportive of removing an outright short term rental prohibition from the regulations and instead would rely on City's existing licensure regulations as applicable City-wide.

Prior to the March 8<sup>th</sup> hearing, it was brought to staff's attention that the legal notice requirement did not accurately calculate the number of days between the legal notice and the hearing by not excluding the actual day of publication. To remedy the legal notice issue, Council continued its hearing to March 15<sup>th</sup>, where it would accept additional testimony and deliberate prior to taking final action on the proposed legislation.

## **Staff Request**

Staff requests that Council review the draft Middle Housing Code and make its final recommendations for inclusion into Ordinance 2061.

## **Suggestion Motion**

Motion to close the public hearing on File Number 2020-37 and consider the first reading of Ordinance 2061 at the April 12<sup>th</sup> City Council meeting.

## **Attachments**

Ordinance 2061  
Draft Middle Housing Regulation (Chapter 17.25 of the Hood River Municipal Code)  
Legislative Findings  
Notice of Public Hearing

IN THE CITY COUNCIL  
FOR THE CITY OF HOOD RIVER, OREGON

**ORDINANCE NO. 2061**

**An Ordinance amending Hood River Municipal Code Title 17, Chapter 03; LAND USE ZONES and Chapter 25; MIDDLE HOUSING DEVELOPMENT STANDARDS**

The Hood River City Council finds as follows:

**WHEREAS**, the Hood River Zoning Code is organized to implement provisions of the Comprehensive Plan and which periodically require amendments to address changes in statewide legislation, policy updates, and other clarifications for readability and clear administration; and

**WHEREAS**, in 2020 the City of Hood River initiated a middle housing code development; and

**WHEREAS**, the code is intended to: support the City's Housing goal of more efficient use of urban residential land; support development of diverse housing types in accordance with the Comprehensive Plan Housing Needs Analysis; increase the variety of housing types available for households; provide opportunities for small, dwelling units within existing neighborhoods; increase opportunities for home ownership; and provide opportunities for creative and high-quality infill development that is compatible with existing neighborhoods.

**WHEREAS**, the standards within this code are intended to cover the zoning development standards for middle housing under one unified chapter.; and

**WHEREAS**, a draft of these interim actions presented to the Council for review, and then Planning Commission for public hearing; became the basis for code amendments in accordance with HRMC 17.08.010 (Legislative Zone Changes and Plan Amendments); and

**WHEREAS**, the Department of Land Conservation and Development (DLCD) was notified of the proposed amendments on prior to public hearings before the Planning Commission. The Planning Commission hearing culminated on February 16<sup>th</sup>, 2021 with a recommendation to approve the proposed changes to Title 17 to the City Council; and

**WHEREAS**, at its March 08<sup>th</sup>, 2021 meeting City Council initiated public hearing at which time the Council heard the Planning Commission recommendation, accepted written and oral testimony; which was continued to March 15<sup>th</sup> where Council accepted additional testimony, deliberated and *(to be confirmed at hearing -tentatively voted to approve)* amendments to HRMC Title 17, Chapter 3 Land Use Zones, Chapter 25 Middle Housing Development Standards as set forth in Exhibit A; and

**NOW, THEREFORE**, based on the foregoing findings, which are incorporated herein by this reference, the Hood River City Council Ordains as follows:

**Section 1 – Amendment**. The Hood River Municipal Code Title 17 (Zoning) Chapter 3 Land Use Zones shall be amended as set forth in Exhibit A, attached hereto and incorporated herein by this reference.

**Section 2 – Amendment.** The Hood River Municipal Code Title 17 (Zoning) Chapter 25 Middle Housing shall be amended as set forth in Exhibit A, attached hereto and incorporated herein by this reference.

**Section 3 – Savings Clause.** In the event that a court of competent jurisdiction determines that any provision, clause, section, subsection or part thereof is unconstitutional or unlawful in any respect, that determination shall not affect the validity of all remaining provisions, clauses, sections, subsections or parts thereof, which shall remain in full force and effect.

**Read for the First Time** this April 12<sup>th</sup>, 2021

**Read for the Second Time** and approved this \_\_\_\_ day of (date to be determined) 2021.

This Ordinance shall take effect on the 31<sup>st</sup> day following the second reading.

AYES: \_\_\_\_\_

NAYS: \_\_\_\_\_

ABSTAIN: \_\_\_\_\_

ABSENT: \_\_\_\_\_

\_\_\_\_\_  
Kate McBride, Mayor

ATTEST:

Approved as to form:

\_\_\_\_\_  
Jennifer Gray, City Recorder

\_\_\_\_\_  
Daniel Kearns, City Attorney

# MIDDLE HOUSING



Updates to the Hood  
River Municipal Zoning  
Code Title 17  
March 15th, 2021 Hood  
River City Council

Amendments: Chapter 17.03 Permitted Use in R-1, R-2, R-3, and C-1 to allow development of Middle Housing as permitted uses subject to Chapter 17.25

New: Chapter 17.25 -Middle Housing Development Standards

Legislative History: Ord. 2061 (2021);

## Sections

17.25.010 Definitions

17.25.020 Purpose

17.25.030 Applicability

17.25.040 Relationship to Other Regulations

17.25.050 Exceptions and Variances

17.25.060 Land Division and Procedures

17.25.070 Development Standards

**A. Required Site Area Per Unit by Zone**

**B. Allowed Building Types**

**C. Setback/Site Perimeter Buffer Yards**

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**E. Parking**

**F. Access, Circulation, Driveways, and Approaches**

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**H. Dwelling Unit Size Restrictions**

**I. Building Orientation and Separation**

**J. Building Height**

**K. Architecture Features**

**L. Permitted obstructions**

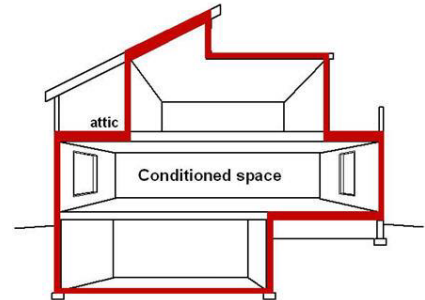
**M. Fences**

**N. Accessory Buildings, Common Buildings, Existing Nonconforming Structures, Building Conversions**

17.25.010 **Definitions** The following words and phrases shall have the meanings given them in this section and chapter.

**BUILDING SITE** means one or more lots or parcels grouped together to form a tract of land to be used for building one or more structures. It may also be known as the development site. The building or development site shall be measured to the exterior property lines which bound the total tract, exclusive of any public dedicated street or right of way.

**FLOOR AREA:** Means calculated area of all floors of the occupiable space measured from the exterior walls of the structure. Occupiable Space includes any conditioned space intended for human activities, including (but not limited to) all habitable spaces, toilets, halls, laundry areas, closets, and other storage and utility areas. Unenclosed porches, decks, patios, and stairs that are exposed to exterior elements and not conditioned are excluded from floor area calculations. A basement or attic space that is occupiable, regardless of finish, with a ceiling height of more than 6' 8" shall be calculated into floor area.



**BUILDING HEIGHT:** See Section J. Building height shall be measured from Average finished grade as depicted on the site development drawings as shown in Section J.

**LANDSCAPE AREA.** Means the planted and permeable surface area that remains after the surface area of buildings, structures, parking areas, driveways, walkways, and decorative pavement are subtracted. The landscape area is calculated from within property lines and shall be planted to comply with the regulations listed under Section H.

**MIDDLE HOUSING.** Means Duplexes, Triplexes, Quadplexes, and Cottage Clusters that comply with the standards of this chapter as described below. Similar housing configurations that do not comply with the regulations of this chapter shall not be considered middle housing types and not subject to these regulations.

Cottage Configuration (Middle Housing Cottage). Means a single detached dwelling unit on a building site, with a floor area **1200 square feet or less**. Depending on the resulting land division, cottages may not be required to be located on the same lot or parcel.

Two Dwelling Unit Configuration (Middle Housing Duplex). Means a grouping of two dwelling units on a building site configured in an attached or detached arrangement. Depending on the resulting land division, the units are not required to be located on the same lot or parcel.

Three dwelling Unit Configurations (Middle Housing Triplex). Means a grouping three dwelling units configured in an attached or detached arrangement. Depending on the resulting land division, the units are not required to be located on the same lot or parcel.

Four dwelling Unit Configurations (Middle Housing Quadplex). Means a grouping four dwelling units configured in an attached arrangement on a building site. Depending on the resulting land division, the units are not required to be located on the same lot or parcel.

MULCH AND NON LIVING GROUND COVER – Means. Nonliving plant materials that are applied to paths, plant beds, the base of trees, and shrubs. Mulches include organic materials such as wood chips and shredded bark, and inert organic materials such as decomposed granite, crushed rock, river rock, and cobble.

XERISCAPE. Means a Waterwise landscaping method that utilizes individual site conditions to maximize efficient water usage. The principals of xeriscape are:

1. Minimize cool season turf grasses.
2. Reduce turf areas with mulched planting beds.
3. Amend soil with organic matter.
4. Zone or group plants by water, soil, and sun needs.
5. Zone irrigation by plant water needs.
6. Maintain landscape to reduce water usage by weeds and promote healthy plant growth

ZEROSCAPE. Means a site design approach that consists of natural or manmade materials such as rock that are not landscaped with turf grasses, shrubs, perennials, annuals, trees or living groundcovers. Zeroscapes, mulch, and nonliving ground cover that are not planted do not qualify as landscape coverage.

**17.25.020 Purpose:**

A. These standards are intended to: support the City’s Housing goal of more efficient use of urban residential land; support development of diverse housing types in accordance with the Comprehensive Plan Housing Needs Analysis; increase the variety of housing types available for households; provide opportunities for small, dwelling units within existing neighborhoods; increase opportunities for home ownership; and provide opportunities for creative and high-quality infill development that is compatible with existing neighborhoods.

B. Standards within this code are intended to cover the zoning development standards for middle housing under one unified chapter. Code graphics are included to supplement and provide clarity to written standards.

### **17.25.030 Applicability**

A. Where middle housing developments are allowed, they shall be permitted by right subject to the standards listed below. Developments that do not meet size, layout, and size restrictions, shall be subject to applicable use and zone regulations and review procedures of Title 16 and 17.

B. Developers may choose to have application requests for the development of middle housing developments processed as administrative actions subject to the procedures found in HRMC 17.09.

### **17.25.040 Relationship to Other Regulations**

A. Conflicts. In the event of a conflict between this chapter and other zoning or land division standards, the standards of this code shall control. The standards listed below are the applicable development and design standards for middle housing. The base zone development standards for lot size, height, setbacks, yards, lot coverage, parking, and design standards in Title 17 are not applicable to middle housing subject to these standards.

B. Other Applicable Standards. Developments and buildings designed and constructed under this code shall comply with restrictions established on Goal Protected Lands including environmental hazard, wildland, riparian, wetland and floodplain regulations, Hood River Engineering standards (HRES) and Oregon Building Codes. This code is not written nor intended to grant Goal or design exceptions or waiver from local, county, state or federal regulations. Where goal protected regulations apply, development shall follow the regulations and notification processes that apply to ensure regulatory compliance.

### **17.25.050 Exceptions and Variances**

A. Requests for variances from the requirements of this chapter are subject to the approval criteria under subsection 17.18. Exceptions to public works standards shall be processes according to HRMC, Engineering standards, and City Engineering.

### **17.25.060 Land Division Options and Procedures**

A. Middle housing developments may be created as a subdivision or partition; as a condominium (pursuant to ORS Chapter 100 and HRMC 17.16); or as rental units or sold as undivided interest in development.

B. A subdivision, partition, or replat shall be reviewed and approved concurrently with the development of middle housing, to create the easements, lots, and tracts that will comprise the site development. Applicants shall submit engineering and subdivision plans as part of the application. The subdivision or partition may be reviewed as an Expedited Land Division. As an alternative, an applicant may request that its land division and site development plans be reviewed in accordance with standards in Title 16 and processed in accordance with HRMC 17.09.

C. Middle Housing developments meeting the standards of 17.25 are exempt from individual lot size, frontage width requirements, and dimensional standards as outlined in HRMC 17.03, but shall comply with building site standards listed within this chapter.



D. Access and utility easements shall be provided to ensure utility and access rights for all units of land within the development (alt that do not have frontage on a public street), and to provide vehicle, utility, and pedestrian circulation through the site.

E. Covenants, Conditions and Restrictions. Where common utilities, tracts, and facilities are included in a development, Middle Housing and Cottage developments shall require a set of conditions, covenants, and restrictions (CC&Rs) to address maintenance of common open space and other issues. Prior to final plat approval and issuance of a site development or building permit for any structure CC&Rs shall be reviewed and, if approved by the City, recorded with Hood River County. The CC&Rs must include the following provisions:

1. The creation of a homeowner's association or other maintenance agreement that will provide for maintenance of all common areas in the housing development.
2. The total square foot area of each middle dwelling unit may not be increased for the life of the dwelling unit or duration of Middle Housing regulations if it cannot demonstrate compliance with the existing standards or site development approvals.

17.25.070 Development Standards

**A. Required Site Area Per Dwelling Unit by Zone**

Zone	R-1	R-2	R-3	C-1
<b>Maximum Unit/Area Ratio</b>	1 dwelling per 2,500sf Attached or Detached	1 dwelling per 1250 (800 square feet and Under 1 dwelling per 1500 (800-1200 sq ft)	1 dwelling per 1250 (800 square feet and Under 1 dwelling per 1500 (800-1200 sq ft)	1 dwelling per 1250 (800 square feet and Under 1 dwelling per 1500 (800-1200 sq ft)
<b>Minimum Lot or Parcel Size* Site</b>	5,000 SF Site N/A on individual lots	2,500 SF Site N/A on individual lots	2,500 SF Site N/A on individual lots	2,500 SF Site N/A on individual lots
<b>Minimum Units Per Development</b>	2	2	2	2
<b>Max Units Per Development</b>	6 Cottage	8	12	12
<b>Max Units Per Building</b>	2	4	4	4
<b>Max Units Allowed for Existing Building Conversion</b>	4	4	4	4

(Side by Side Based on Code Progression)

**B. Building Types Allowable Under the Middle Housing Code**

- 1). Two Dwelling Unit Configurations (attached and detached configurations)
- 2). Three Dwelling Unit Configurations (attached and detached configurations)
- 3). Four Dwelling Unit Configurations (attached configurations)
- 4). Cottage Cluster Configuration. (detached configuration)
- 5). Single Family Conversion

**C. Setback/Site Perimeter Buffer Yard**

Unless otherwise noted\* Setbacks/Site Perimeter Buffer Yard areas shall be measured from the exterior perimeter of the building site. Setback/Site perimeter buffer yard areas shall be landscaped in accordance Section (G) to this chapter, no structures shall be permitted in the yard areas unless allowed under Section (M) Permitted Obstructions.

Required Site Perimeter Yards Buffer	Min. Distance	Notes
Public Street Buffer Yard	10 feet	Shall be measured from the Right of Way unless a public sidewalk easement is required to accommodate frontage improvements. In that case the 10' buffer yard shall be provided from the outer edge of the sidewalk from the street.
Rear Yard Buffer Yard	10 feet	The rear yard is the yard on the opposite of the street frontage. On corner lots the rear yard may be opposite either street frontage.

Rear Yard Buffer Yard*	5/0	*A project that takes access from a single driveway approach on the side of the corner lot may reduce it buffer to 5 feet. If the driveway is a shared access with adjacent property it may reduce it buffer to 0. (See Figure 2 below)
Interior Side Buffer Yard**	5 feet	**6 feet in R-1
Alley Buffer Yard	5 feet	*Landscape Buffer may be located adjacent to the alley right of way or as a minimum five-foot yard between alley loaded parking and the site
Garage Buffer Yard from a Public or Private Street***	20 feet	Per section E of 17.25 Parking spaces that are not in a garage shall not be allowed in required perimeter setbacks, and, except for alleys, shall not be located between the dwellings and street frontages. ***Applied only to the garage itself.
Garage Buffer Yard from an Alley	5 feet	Garages shall maintain a five-foot alley setback. <del>However the Landscape Buffer may be located adjacent to the alley right of way or as a minimum five-foot yard between the garage and development.</del>

#### D. Frontage and Utilities

- 1). Public Street Dedications. Middle Housing Development shall comply with City Standards for frontage improvements, dedications, and the undergrounding of utilities.
- 2). Street Connectivity and Formation of Blocks Required. To promote efficient vehicular and pedestrian circulation throughout the City, middle housing land divisions and site developments shall produce complete blocks bounded by a connecting network of public and/or private streets, in accordance with the following standards:
  - a. Block Length and Perimeter: The maximum block length and perimeter shall not exceed Six Hundred (600) feet length and 1,600 feet perimeter
  - b. Exception: Exceptions to the above standards may be granted when blocks are divided by one (1) or more pedestrian or bike pathway at least five feet in width located in a dedicated right of way or within a public access easement.
- 3). Street Frontage Improvements: Shall be designed and established as part of the Plat and building site development approval. Unless waived by the City Engineer, public sidewalks and street trees shall be installed to meet Hood Rivers Street and Engineering Standards. Where insufficient right of way exists, sidewalk and landscape improvements may be installed in public easements to satisfy frontage improvement requirements.
- 4). Frontage Requirements. Individual lots created as part of a middle development subdivision are not required to have frontage on a public or private street. However, the development site shall have frontage or lawful access from a public or private street.
- 5). Public Utilities. All lots shall be served by individual services from a private or public distribution main. Any deviations from City standards may be approved by the City Engineer. All individual service lines that cross property shall be placed in an easement.

### E. Parking:

- 1). There shall be at least One (1) off-street parking space per dwelling unit. Where a development requires a partial number of spaces the number of required spaces shall be rounded up to a whole number. Parking for middle housing developments shall be located on the building site, on individual lots, or in shared common areas, and identified on the tentative subdivision plan and/or site plan. Parking spaces shall be 9' by 18' minimum dimensions.
- 2). Parking spaces may be located within a garage attached or detached to the unit. Shared Garages may be allowed but may not contain more than 4 parking spaces, may not be attached to an individual detached dwelling unit, must be at least 10 ft from any dwelling; and shall not exceed 18 ft total height as measured from average finished grade in measured in section (J).
- 3). Parking spaces that are not in a garage shall not be allowed in required perimeter setbacks, and, except for alleys, shall not be located between the dwellings and street frontages.
- 4). One bicycle storage space shall be provided and shown on the site plan for each unit.

### F. Access, Circulation, Driveways, and Approaches

- 1). Driveway Approach. Driveway approaches must comply with the following:

- a. The total width of a middle housing driveway approach may not exceed 14 feet per frontage as measured at the property line, unless required for Public or Emergency Access. (Figure 1)
- b. Driveway approaches must meet the Hood River driveway spacing standards
- c. Lots or parcels must access the street with the lowest classification.
- d. When middle housing project that abuts an alley, access must be taken from the alley.
- e. Only one single driveway approach per building site per frontage is allowed
- f. A middle housing project that includes a corner lot shall take access from an alley or single driveway approach on the side of the corner lot. (Figure 2)
- g. Minimum driveway turning of radius 10' inside radius 18' outside radius shall be required for parking areas and garages.

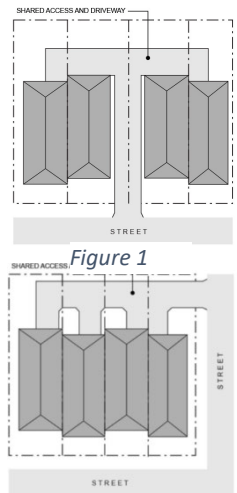
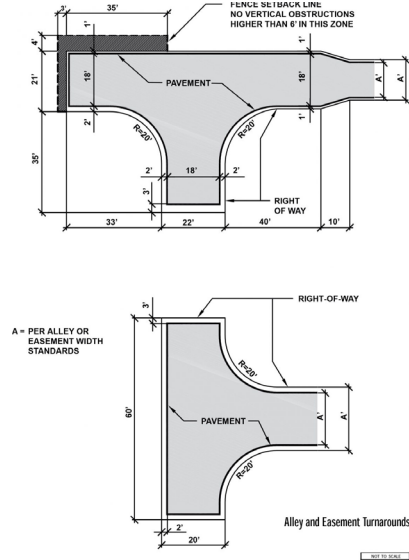
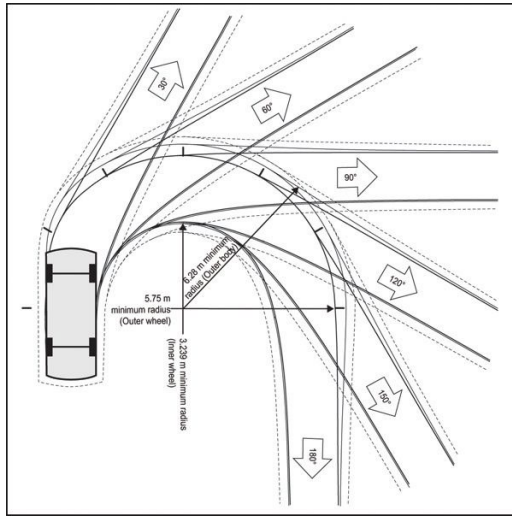


Figure 2



**G. Stormwater, Low Impact Development, Landscaping, and Tree Preservation**

1). Storm Water and Low-Impact Development.

- a. It is recommended, but not required, that Developments include open space and landscaped features as a component of the project’s storm water low-impact development techniques including natural filtration and on-site infiltration of storm water.
- b. Low-impact development techniques for storm water management are encouraged wherever possible. Low Impact Development techniques may include the use of porous solid surfaces in parking areas and walkways, directing roof drains and parking lot runoff to landscape beds, green or living roofs, and rain barrels.
- c. Impervious surfaces should be located to maximize the infiltration of storm water runoff. Developers are encouraged to group dwellings and located parking areas to preserve as much contiguous, permanently undeveloped open space and native vegetation.
- d. When vegetated, low Impact stormwater features may be permitted as required landscape area.

2). Landscape: Middle Housing Development Site shall meet the following Landscape standards:

- a. All Middle Housing Project Site shall provide a minimum amount of landscape area and coverage as outlined below.

Zone	R-1	R-2	R-3	C-1
Percent Landscape Area	40%	35%	30%	30%

b. All Middle Housing Project Site shall provide a minimum amount of landscape plantings as outlined below

Required Site Perimeter Buffer Yard	Distance	Planting Requirements
Public Street Buffer Yard	10 feet	1, 2-inch caliper# single stem street tree and 5 shrubs for every 30 feet of frontage. Required street tree frontage plants may be counted to satisfy this provision
Notes		* If no sidewalk and tree parkway are developed in the right of way the required trees may be planted in the front street buffer yard within a public easement.
Rear Buffer Yard *(where rear access is used and buffer eliminated no planting shall be required)	10 feet	*1, 2-inch caliper# tree and 5, 5-gallon shrubs for every 30 feet
Interior Side Buffer Yard**	5 feet **6 feet R1	1, 2-inch caliper# tree and 5, 5-gallon shrubs for every 50 feet
Alley Buffer Yard	5 feet	None
Notes		*Landscape Buffer may be located adjacent to the alley right of way or as a <b>minimum</b> five-foot yard between alley loaded parking and the site # Caliper shall be measured at 12 inches above the root ball
Tree Preservation		Existing trees preserved as part of the development will be credited inch for inch toward the perimeter (not street frontage) tree planting requirement.

### 3. Internal Pedestrian Circulation

a. Development shall include pedestrian walkways for internal circulation on-site. The minimum width for pedestrian paths shall be 4 ft. Paths must provide a connection between each unit, adjoining rights-of-way. These walkways must be shown on the subdivision plan or site plan and be part of the common areas/tracts. Public sidewalks and internal pedestrian walkways may be counted toward landscape requirements.

#### H. Dwelling Unit Size Restrictions (method of measurements)

1). Maximum Floor Area. The maximum floor area per dwelling unit without an attached garage is (1,200) square feet. A dwelling unit with an attached garage shall have a maximum floor area of (1,500) square feet including the garage.

Floor area is the calculated area of all floors as measured from the exterior walls of the structure. Unenclosed front porches, patios, attics and basements that are not occupiable, stairs, and unenclosed decks below 30 inches in height shall not be calculated as gross floor area. A basement or attic space that is occupiable, regardless of finish, with a ceiling height of more than 6' 8" shall be calculated into floor area.

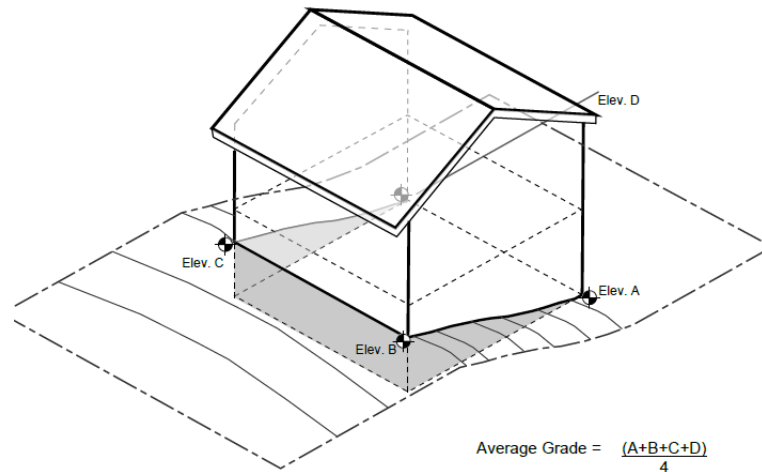
2). The size of a dwelling may not be increased beyond the maximum floor area unless the building site plan and subdivision plat can be amended and meet all applicable landscape and building site standards. A deed restriction shall be placed on the property notifying future property owners of the size restriction.

## I. Building Orientation and Separation

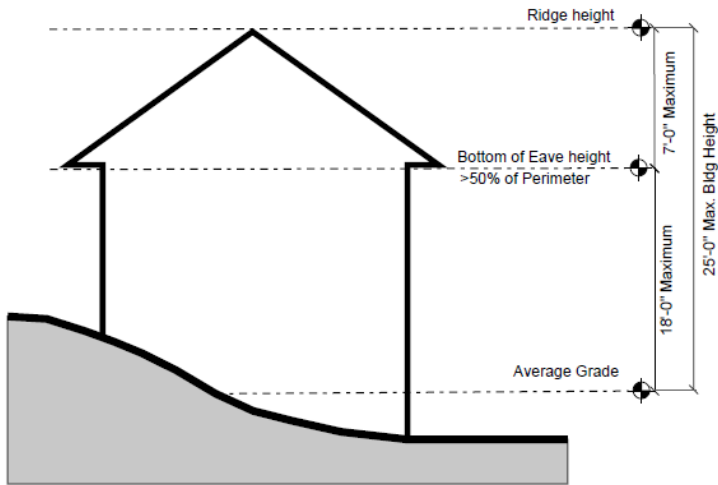
- 1). Interior Building Separation. A middle housing development may include attached, as well as detached, units. With the exception of attached units, there shall be a minimum separation of ten feet between the exterior walls of the dwelling units. All units including accessory buildings (e.g., carport, garage, shed, common house, multipurpose room) shall comply with building and fire code requirements for separation from residential structures.
- 2). The front of a dwelling is the façade with the main entry door and front porch. This front façade shall be oriented toward a public street. If a unit is not adjacent to a public street, it shall be oriented toward an open space or an internal pedestrian circulation path.

## J. Height (Method of measurements) and limit and slope impacts (adjust graphic based on Council)

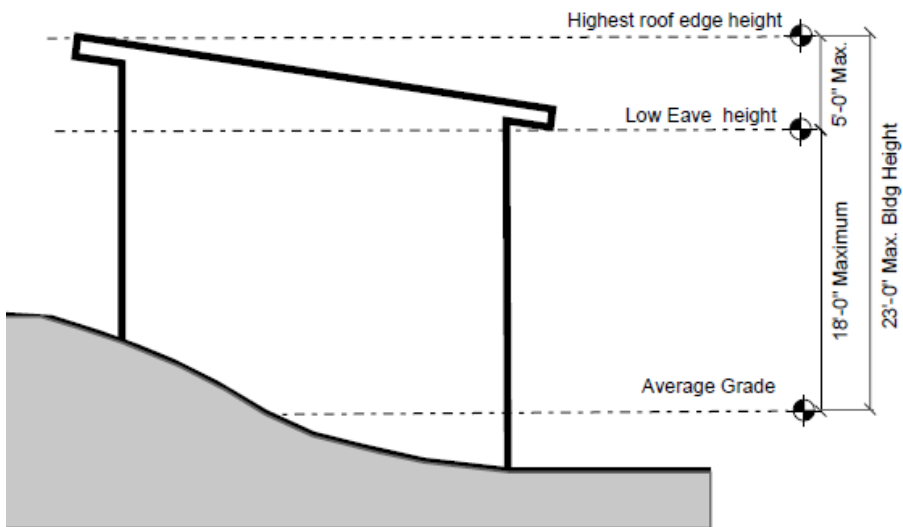
- 1). Height. Building height of all dwellings shall comply with following restrictions and limits.
  - a. Building Height. Dwelling units with a pitched roof shall be no more than 28 feet in height as measured from the average grade of the building perimeter as shown below.
  - b. Building Height. Dwelling units with a shed roof shall be no more than 25 feet in height as measured from the average grade of the building perimeter as shown below.
  - c. Building Height. Dwelling units with a flat roof shall be no more than 21 feet in height as measured from the average grade of the building perimeter as shown below.



AVERAGE GRADE CALCULATION METHOD - BUILDING PERIMETER

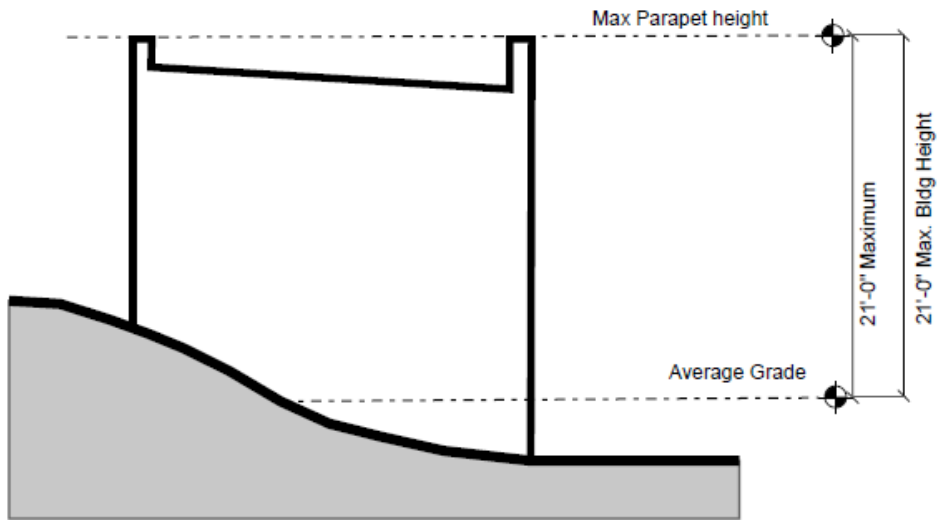


BUILDING HEIGHT CALCULATION: PITCHED ROOF



BUILDING HEIGHT CALCULATION: SHED ROOF





## BUILDING HEIGHT CALCULATION: FLAT ROOF

### K. Required architecture

- 1). Units shall avoid blank walls by including at least one of the following:
  - (a) Changes in exterior siding material.
  - (b) Bay windows with a minimum depth of 2 ft and minimum width of 5 ft.
  - (c) Eaves of 15 inches or greater

2). Windows and doors shall account for at least 15% of the façade area for façades oriented toward a public street or common open space. Facades separated from the street property line by a separate dwelling are exempt from meeting this standard. (Figure 3)



3). Wall Elevations that exceed 20 feet in height at any point shall include a wall or plane break of at least two feet in depth and 6 feet in width for every twenty feet of elevation length.

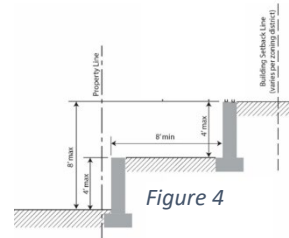
4). Front Porches. Each dwelling unit shall have a porch and if adjacent to a public street shall have a porch facing the public street. The porch is intended to function as an outdoor room that extends the living space of the units into the semipublic area between the unit and the open space or right of way. Front Porches shall include the following

- (a) The minimum porch depth shall be 5 feet.
- (b) The covered porch area shall be at least 60 square feet.

- (c) The front door of the dwelling must open onto the porch.
- (d) The front porch shall be at least 50% the total front facing façade length

**L. Permitted obstructions. The following may be permitted in setback yard buffer areas.**

- 1). Air Conditioning Equipment under 4 feet in height.
- 2). Driveways approaches 14' in width and under shall be permitted to cross perpendicular to the front yard setback. Parking spaces are not permitted as an encroachment. (Shared driveways)
- 3). Eaves, chimneys, and gutters may project into buffer yards and building separation areas by 15 in.
- 4). Fences 4 feet and under in height as measured from grade.
- 5). Flagpoles and lights under 15'
- 6). Public Access Facilities and Easements.
- 7). Public and Private Utilities
- 8). Retaining walls less than four (4) feet in height. If more than one retaining wall is located within the setback, the distance between each wall must be equal to the height of both walls, and the area between the walls must be landscaped (Figure 4)
- 9). Sidewalks 4' or less in width. The encroachment limit shall be 15" into encroachment a side buffer yard.
- 10). Trash Enclosures (Rear Yard Only)



**M. Fences**

- 1). Fence shall be shown on middle housing site plans. Fence height is limited to four feet along interior areas adjacent to open space, in front and side yards setbacks abutting a public street, and between units. Perimeter Fences that outside the interior side and rear site perimeter buffer yards of the development and not adjacent to a street frontage may be up to 6 ft high, except as restricted by HRMC 17.04 Clear Vision at Intersection.
- 2). Chain-link fences are prohibited.

**N. Accessory Buildings, Common Buildings, Existing Nonconforming Structures and Accessory Dwelling Units.**

- 1). Accessory and Common Buildings. An accessory community building for the use of the housing development residents may be permitted as part of a middle housing development. Accessory or Common buildings shall not be attached to dwellings, shall comply with building code separations, and shall not be interfere with required landscaping amounts.
- 2). Existing Dwelling Units. An existing single-family residential structure built prior to the effective date of this code, which may be nonconforming with respect to the standards of this chapter, shall be permitted

to remain. Existing nonconforming dwelling units shall be included in the maximum permitted unit density and parking standards.

3). Existing Dwelling Units. An existing single-family residential structure built prior to the effective date of this code, which may be nonconforming with respect to the standards of this chapter, may be converted to permit the allowed density or 4 units, whichever is less, so long as the dwelling can comply with building, fire code, and parking requirements. An existing structure may not be converted or altered in way that increases non-conformity with this chapter. Existing driveways and parking may remain, but if expanded or modified, not more than one parking space may be allowed in the front yard setback.

4). Accessory Dwelling Units. New accessory dwelling units (ADUs) are not permitted in middle housing developments, except that an existing ADU that is accessory to an existing nonconforming single-family structure may be counted as a unit if the property is developed subject to the provisions of this chapter.

**Exhibit B**

**BEFORE THE CITY OF HOOD RIVER CITY COUNCIL  
HOOD RIVER, OREGON**

In the matter of Amendments )  
To the Hood River Municipal )  
Code: Chapter 17.03 Land Use )  
Zones Chapter and Proposed )  
17.25 Middle Housing Standards )  
File #2020-37 )

**I. GENERAL INFORMATION:**

- A. **REQUEST:** Amendments to the Hood River Municipal Code (HRMC) as follows: 1). Amend Chapter 17.03.010 (A) Permitted Uses, 2). Amend Chapter 17.03.020 (A) Permitted Uses 3). Amend Chapter 17.03.030 (A) Permitted Uses 4). Amend Chapter 17.03.040 (A) Permitted Uses; 5). adds 17.25 Middle Housing Development Standards
- B. **APPLICANT:** City of Hood River
- C. **APPLICABLE HOOD RIVER MUNICIPAL CODE (HRMC) CRITERIA:**
- 17.08.010 – Legislative Zone Changes and Plan Amendments
  - 17.08.020 – Legislative Zone Changes and Plan Amendment Criteria
  - 17.08.050 – Transportation Planning Rule
- D. **NOTICE:** Notice of the March 8<sup>th</sup> City Council Public Hearing was published in the Legal Notices section of the Columbia Gorge News on Feb 17<sup>th</sup>, 2021.
- E. **AGENCY COMMENTS:** The Oregon Department of Land Conservation and Development (DLCD) were notified of this request November 18<sup>th</sup>, 2020 and again on March 2<sup>nd</sup>, 2021 with updated information. Written Comments submitted prior to the March 1<sup>st</sup>, 2020 City Council Workshop have been included to Council and will be included in the record.
- F. **HISTORY:**
1. Notice of Proposed Amendment provided to DLCD on November 18<sup>th</sup>, 2020
  2. Planning Commission workshop of the proposed revisions December 7<sup>th</sup>, 2020
  3. Planning Commission Hearing Initiated on December 22<sup>nd</sup>, 2021
  4. Planning Commission Hearings January 4<sup>th</sup>, 19<sup>th</sup>, and February 1<sup>st</sup>
  5. City Council Workshops December 14<sup>th</sup>, January 1<sup>st</sup>, January 25<sup>th</sup>, February 22<sup>nd</sup>, and March 1<sup>st</sup>
  6. Planning Commission Hearing Concluded and Recommendation February 16, 2021
  7. Notice of Public Hearing before City Council Published February 17<sup>th</sup>, 2021
  8. Additional Notice Provided to DLCD March 2<sup>nd</sup>, 2021
  9. Public Hearing Before City Council Initiated March 8<sup>th</sup>, 2021
- G. **ATTACHMENTS:**
- Attachment “A” – Draft Code Language for 17.25
  - Attachment “B” –Notice of March 8<sup>th</sup>, 2021 Public Hearing

## **II. BACKGROUND**

- 1) The following report includes the proposed revisions to Title 17 (Zoning) of the Hood River Municipal Code. These amendments have been referred to as the Middle Housing Code (2020-37), a legislative initiative by City Council intended to support the City’s Housing goal of more efficient use of urban residential land; support development of diverse housing types in accordance with the Comprehensive Plan Housing Needs Analysis; increase the variety of housing types available for households; provide opportunities for small, dwelling units within existing neighborhoods; increase opportunities for home ownership; and provide opportunities for creative and high-quality infill development that is compatible with existing neighborhoods.

Included as an attachment to the staff report, is the draft code language revised based on workshop comments for the March 8<sup>th</sup>, 2021 Public Hearing.

## **III. PROPOSED REVISIONS**

- A. **Amend Chapter 17.03.010, 020, 030,040 (A) Permitted Uses, by adding the following line item.**  
“Middle Housing Developments Subject to 17.25”
- B. **Add Chapter 17.25** “Middle Housing Development Standards”

## **III. ZONING ORDINANCE APPROVAL CRITERIA:**

### **A. CHAPTER 17.08 – ZONE CHANGES AND PLAN AMENDMENTS:**

17.08.010 Legislative Zone Changes and Plan Amendments. Legislative zone changes or plan amendments ("zone or plan changes") may be proposed by the Planning Commission or City Council. Such proposed changes shall be broad in scope and considered legislative actions. The City Council shall obtain a recommendation on the proposed changes from the Planning Commission. The recommendation of the Planning Commission shall be forwarded to the City Council within sixty (60) days after it is requested from the Planning Commission. The Planning Commission shall conduct at least one (1) public hearing to assist in formulating its recommendation. The City Council shall conduct its own public hearing. Public notice of the legislative zone or plan change hearing before the City Council shall be published in a newspaper of general circulation within the city at least twenty (20) days prior to the date of the hearing.

**FINDINGS:** As part of its 2020 Work Plan, City Council initiated legislative amendments to the Hood River Municipal Code directed staff develop code language for Middle Housing.

The Planning Commission held hearings to consider legislative amendments to the Hood River Municipal Code on December 22, 2020, January 4<sup>th</sup>, 19<sup>th</sup>, February 1<sup>st</sup>, 2021, and February 16<sup>th</sup>, 2021 when it made its recommendations to the City Council. Notice of the proposed legislative amendments was provided to the Columbia Gorge News on Feb 11<sup>th</sup>, 2021 and published on February 17<sup>th</sup>. Notice was provided to DLCOD originally on November 18<sup>th</sup>, 2020 and updated on March 2<sup>nd</sup>, 2021, and again on March 4<sup>th</sup>, 2021.

### 17.08.020 Legislative Zone Changes and Plan Amendments Criteria

- A. Legislative zone or plan changes may be approved if
  1. The effects of the change will not be unreasonably harmful or incompatible with existing uses on the surrounding area; and
  2. Public facilities will be used efficiently; and

3. No unnecessary tax burden on the general public or adjacent land owners will result.
- B. Legislative zone or plan changes may be approved if subsection (A) above is met and one or more of the following, as applicable, are met:
  1. A mistake or omission was made in the original zone or plan designation.
  2. There is not an adequate amount of land designated as suitable for specific uses.
- C. The hearing body shall consider factors pertinent to the preservation and promotion of the public health, safety, and welfare, including, but not limited to
  1. The character of the area involved;
  2. It's peculiar suitability for particular uses;
  3. Conservation of property values; and
  4. The direction of building development.

**FINDINGS:** The effects of the change will not be unreasonably harmful or incompatible with existing uses in the surrounding area because the uses proposed are residential in nature and contemplated in residential zones.

From its Housing Market Report and Housing Market Economics FAQ's it was found that "*middle housing development is a key strategy for achieving a supply of units that are more affordable to more people. Middle housing development is a mix of residential housing types where the size and number of units fall in between a traditional single-family house and a multifamily apartment building and are compatible in the look and feel with single-family detached homes. Middle housing units are generally smaller, making them more affordable than larger detached units, while requiring less land than current stock of detached housing units*".

Since the proposal does not propose to expand the urban growth area, focuses on greater efficiency of the existing urban residential land base anticipated for development, allows increased utilization of existing infrastructure, reduces outward development pressures at the urban fringe, the need to pursue urban area expansions into the National Scenic Area and outside the current Urban Growth Area, the code amendments can be found to promote compatibility with existing land uses in the surrounding area and generally promote the efficient use of public facilities.

The proposal is generally consistent with increasing residential land efficiency as it creates opportunities to develop a number and increased diversity of housing product types and divides the cost of extending infrastructure across dwellings planned and developed as a unit. No unnecessary tax burden on the public or adjacent landowners will result because the proposed amendments allow for greater use of existing facilities in areas where infrastructure and services are already available. These features of code include hallmarks of "Smart Growth" principals adopted by the Congress for New Urbanism, Urban Lands Institute, Form Based Codes Institute, recommended by the EPA, and encourage efficient use of land for development.

To evaluate its buildable land inventory and adequacy of land for residential purposes, the City of Hood River completed and adopted the Hood River Housing Needs Analysis (HNA). The key conclusions and assumptions of the Hood River HNA were:

**Hood River's population was growing, as was housing need.** Hood River was forecast to grow by about 4,500 people at an average annual growth rate of about 2.0% between 2015 and 2035. This growth was forecast to result in development of about 1,985 new dwelling units over the 20-year period.

**Under Certain Assumptions Hood River had just enough land to accommodate growth.** Hood River had enough land to accommodate housing growth. However, public and semi-public uses (such

as parks or churches) will require land over the 20- year period. After a series of assumptions these land needs are accounted for, Hood River had only 25 acres of residential land that was beyond the forecast of land needed for housing development by 2035.

However, as mentioned above, to come to the above conclusion, Hood River's HNA required assumptions about the development of housing that have not yet occurred, for market reasons or because the City has not enacted the necessary policies to support housing development. The HNA made the following such assumptions about housing growth over the next 20 years and the availability of land based on the requirements of Goal 10:

***All land within the Hood River urban growth boundary would be available for development over the 20-year period.*** This included more than 60 acres of land that is in active agricultural use. Goal 10 requires cities assume that all vacant land within an urban growth boundary without development, like land in agricultural use, are assumed to develop within the 20-year planning period. Most (likely all) land that was in active agricultural use in 2015 continues to be actively used for agriculture, decreasing the land base for developing new housing.

***The HNA assumed that 35% of newly built housing would be multifamily but little multifamily housing has developed.*** Little multifamily housing has developed since 2015. And what has developed was triplexes, rather than multistory apartment buildings. The lack of multifamily housing development is resulting in little development of new year-round, long-term rental housing.

***The HNA did not account for future development of second homes or short-term rentals, as these are not considered needed housing types under Goal 10.*** Hood River's new regulations about short-term rentals has resulted in development of fewer homes for short term rentals, except in commercial zones where new short-term rentals (without owner-occupants) is allowed. However, second homes continue to be a common use of housing in Hood River and some new housing has been developed or converted to use as a second home.

***The HNA showed that Hood River had a substantial existing need for new affordable housing.*** The HNA showed that more than 30% of Hood River's existing households had income below 50% of the County's Median Family Income (less than \$32,000 per year) and that Hood River had a deficit of more than 200 dwelling units that were affordable to households with income in that range. No housing affordable in this income range has been built in Hood River since 2015.

Given the limited amount of available real estate and the reality of assumptions made as part of the Housing Needs Analysis outlined above, the proposed amendments are justified and found to meet the criteria of 2B.

As part of its hearing staff suggests that Council shall consider factors pertinent to the preservation and promotion of the public health, safety, and welfare, including, but not limited to

1. The character of the area involved;

**FINDINGS:** The amendment provides an opportunity to develop in all residential zones, promotes an equal opportunity for development across the City and as proposed, the amendment implements unique design standards based on unique zones and property characteristics.

2. It's peculiar suitability for particular uses;

**FINDINGS:** The amendment provides only residential uses in the residential zones available for development which raises no issue of suitability.

3. Conservation of property values.

**FINDINGS:** There is no evidence that middle housing or other types of multi-unit development impacts nearby property values in single-family neighborhoods. As development has occurred in the city, property values have continued to grow over time, generally increasing as land has been subdivided and developed into individual housing units.

4. The direction of building development.

**FINDINGS:** The proposal is exclusively applied within the urban growth area, and specifically within incorporated municipal boundaries dedicated to providing opportunities for needed residential development. As a planned and coordinated development and building effort, the City has established a network of infrastructure and municipal services to serve residential uses.

17.08.050 Transportation Planning Rule (Legislative and Quasi-Judicial)

- A. Zone changes and amendments to the comprehensive plan and land use regulations which significantly affect a transportation facility shall assure that allowed land uses are consistent with the function, capacity, and level of service of the facility identified in the Transportation System Plan. This shall be accomplished by one of the following:
  - 1. Limiting allowed land uses to be consistent with the planned function of the transportation facility;
  - 2. Amending the Transportation System Plan to ensure that existing, improved, or new transportation facilities are adequate to support the proposed land uses consistent with the requirement of the Transportation Planning Rule;
  - 3. Altering land use designations, densities, or design requirements to reduce demand for automobile travel and meet travel needs through other modes;
  - 4. Amending the Transportation System Plan to modify the planned function, capacity or performance standards of the transportation facility.
- B. A plan or land use regulation amendment significantly affects a transportation facility if it
  - 1. Changes the functional classification of an existing or planned transportation facility;
  - 2. Changes standards implementing a functional classification system;
  - 3. As measured at the end of the planning period identified in the adopted transportation system plan or, when evaluating highway mobility on state facilities, as measured at the end of the 20 year planning horizon or a planning horizon of 15 years from the proposed date of the amendment adoption, whichever is greater:
    - a. Allows types or levels of land use that would result in levels of travel or access that are inconsistent with the functional classification of a transportation facility;
    - b. Would reduce the level of service of the facility below the minimum acceptable level identified in the Transportation System Plan; or
    - c. Worsen the performance of an existing or planned transportation facility that is otherwise projected to perform below the minimum acceptable performance standard identified in the TSP or comprehensive plan.
- C. Traffic Impact Analysis. A Traffic Impact Analysis or Traffic Assessment Letter shall be submitted with a plan or land use regulation amendment or a zone change application. (See Section 17.20.060 Transportation Impact Analysis).

**FINDINGS:** No changes are proposed to the functional classification of an existing or planned transportation facility. No changes are proposed to standard implementing the functional classification system identified in the City's Transportation System Plan (TSP).



Pursuant to HB 2001, and 660-046-0030. *“When a local government makes a legislative decision to amend its comprehensive plan or land use regulations to allow middle housing in areas zoned for residential use that allow for detached single-family dwellings, the local government is not required to consider whether the amendments significantly affect an existing or planned transportation facility”*.

However, encouraging infill development opportunities where infrastructure is in place within the Urban Growth Area, utilizing lawfully established lots, clarifying code criteria, updating procedures, and adopting regulations consistent with State Law should have no unique impacts on Transportation Facilities.

**IV. CONCLUSIONS:** The approval criteria for the proposed amendments are met.

**V. RECOMMENDATION:** Based on the above findings of fact and conclusions of law, staff recommends that the City Council approve the proposed Legislative Code Amendments.

