

DATE: October 6, 2021
TO: City of Hood River
FROM: ECONorthwest
SUBJECT: EXAMPLE HOUSING STRATEGIES AND ACTIONS

This memorandum provides range of strategies and actions that the City of Hood River could use to address the City's affordable housing needs. This document is intended as a preliminary list of ideas for consideration as part of the development of the Hood River Affordable Housing Production Strategy (AHPS). The AHPS Project Management Team is seeking input from the Advisory Community Task Force to help refine and narrow down this list over the course of the AHPS project. The final AHPS report will identify a targeted set of realistic strategies the City can pursue in the near term, along with the information the City will need to implement those strategies.

At the second Advisory Community Task Force Meeting, the Project Management Team and Task Force will review and discuss this preliminary list of strategies. The Project Management Team will first present a summary of existing affordable housing programs and provide an overview of the role of the City and partner organizations in affordable housing, to clarify what has been or is already being done and what the City is capable of accomplishing through this project. Then the Project Management Team and Task Force will discuss this list of preliminary strategies to determine which strategies merit further evaluation and identify where more information is needed.

In presenting a range of potential strategies that could serve households on different parts of the income spectrum, this memorandum distinguishes between two types of affordable housing: (1) housing affordable to very low-income and extremely low-income households and (2) housing affordable to low-income and middle-income households. The following descriptions of affordability levels are based on information from the HUD and the U.S. Census' American Community Survey.

- **Very low-income and extremely low-income households** are those who have an income of 50% or less of Hood River County Median Family Income (MFI) which is an annual household income of \$38,400. Development of housing affordable to households at this income level is generally accomplished through development of regulated affordable housing. The housing affordable to these households is regulated affordable housing.
- **Low-income and moderate-income households** are those who have income of 50% to 120% of Hood River County's MFI or income between \$38,400 and \$92,160. The private housing market may develop housing affordable to households in this group, especially for the higher income households in the group, but does not guarantee long-term affordability for this group. The housing affordable to these households is moderate-affordable housing.

What affordable housing strategies are already being done in Hood River?

This section summarizes some of the housing programs that already exist in the City of Hood River. This information is provided as background to aid the Task Force in providing feedback on strategy recommendations for the AHPs project.

What is the City of Hood River already doing?

Affordable Housing Strategies

The City of Hood River has completed and implemented a variety of Affordable Housing Strategies in recent years. This section provides a summary of strategies that have been completed or under implementation by the City of Hood River:

- **Construction Excise Tax (CET)** – The City adopted a 1% Construction Excise Tax (CET) dedicated to affordable housing in 2017. A CET is a fee on construction projects that is dedicated to specific funds for affordable housing. The City has raised a total of \$638,561 as of FY 2020-21 and is using the CET local program funds to pay back the loan for purchase of 780 Rand Rd (\$326,424 to date). Currently, \$205,292 is available in Developer Incentives (likely will be used for Rand Rd. development). By law, 15% of the funds (\$106,844 to date) are passed through to the State (OHCS). The pass-through funds come back to the city/region through a down payment assistance program administered by Columbia-Cascade Housing Corporation.
- **Low-income utility assistance** – The City first offered a low-income utility rate discount in 2008. In 2021, the program was expanded to serve renters. Income-eligible renting households can have the value of the City water/sewer discount applied toward their Pacific Power bill. This reaches eligible households on shared meters, such as in an apartment complex or mobile home park. The City provides operational support for Mid-Columbia Community Action Council (MCCAC) (\$35,000 annually) to provide income verifications and promote low-income assistance program availability generally.
- **Public land disposition** – The City inventoried its publicly owned property with the assistance of a real-estate agent and is positioning properties for sale. The City is working to dispose of two properties and dedicate the funds to development of 780 Rand Road. The City’s real estate agent estimates a sale value of \$400K-800K.
- **Parcel Assembly/Land banking/Purchase Land** – The City purchased seven (7) acres of land adjacent to Rand Road for the development of affordable housing at a price of \$1.2 million. Leland Consulting Group prepared a development strategy for the land in 2020 and is currently assisting the City with developer selections. The City anticipates the development will produce approximately 100 units of affordable housing to be built in 2023 or 2024.

Additional efforts to assemble land for affordable housing developments include:

- The proposed relocation of ODOT maintenance yard, currently located on 2.8 acres on Cascade Ave., to a site adjacent to Interstate 84. ODOT estimated the cost to the City to move the yard at \$6.5 million. The City determined funds could be used more efficiently elsewhere.
- The City pursued a zone change on a portion of city-owned land currently used as a passive park and disc golf course to facilitate development of affordable housing in partnership with the local housing authority. The change of use for the park was locally opposed and a voter initiative charter amendment was passed which bars sale or transfer of property rights of any park without a public vote.
- **Adjusting SDC rates for impact** – The City’s Water and Sewer System Development Charges (SDCs) are currently charged based on water meter size. The intent of the methodology is that larger developments with a greater impact on the City’s infrastructure pay an equitable SDC charge. The City is working to further refine its SDCs methodology by additionally adjusting SDCs for housing size. This may be based on square footage, number of bedrooms, or another factor that correlates with the home’s impact on City infrastructure. A review of homes built between 2017 and 2021 found that the sum of all City SDCs are equal to less than 2% of a home’s purchase price. Given that SDCs are a small proportion of a developer’s costs, further adjustment to SDCs is unlikely to have a large impact on housing affordability.

Other Housing Strategies

In addition to the affordable housing strategies listed above, the City of Hood River has implemented a variety of strategies to increase the general (market-rate) housing stock in the city. The following is a non-exhaustive list of some general housing strategies the City has implemented in recent years:

- **Middle Housing Code** – The City adopted a “Middle Housing Code” in 2021 to support development of diverse housing types; 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 infill development that is compatible with existing neighborhoods ([HRMC 17.25](#)).
- **Encourage residential use in historic buildings** – Provides in-lieu parking fee exemption for reuse of Historic Buildings for residential use. (2020)
- **ADU code update** – Updated standards for Accessory Dwelling Units (ADU) to eliminate primary residency and parking requirements. (2019)
- **Townhouse code update** – Streamlined approval process for townhomes. (2017)
- **Short-Term Rental regulation** – Established a licensing program for Short-term Rentals (STRs) including a phase-out of second home STRs in residential neighborhoods (2016). After experiencing rapid growth in the number of STRs in the early 2010s, the number of STRs has plateaued between 185-205 for the last five (5) years. Approximately 85 “grandfathered” STRs will be required to come into full compliance with STR

regulations in 2023, which means either becoming the primary residence of the owner or ceasing short-term rental activities.

- **Reimbursement District** – The City created the option for developers to create reimbursement districts in 2003 via Ordinance 1849 ([HRMC 13.17](#)). Several developers have utilized this code to help pay for shared public infrastructure.
- **Local Improvement District (LID)** – A Local Improvement District enables a group of property owners to share the cost of a project or infrastructural improvement. The Hood River Municipal Code currently allows Local Improvement Districts to be either initiated by property owners or the City Council ([HRMC 13.16](#)). Local Improvement Districts charge benefited property for their proportional share of public infrastructure.
- **Multi-Family housing in C-2 zone** – Multi-family residential development is a permitted use in the City’s General Commercial (C-2) zone (added minimum density standard in 2011).

What other affordable housing programs already exist in Hood River?

Many affordable housing strategies are already implemented in Hood River by community partners. Because of this, these strategies have not been included in the list for consideration as part of the AHPS project. However, the City is exploring where there might be opportunity to support any of these existing programs. Examples of existing affordable housing programs by community partners in Hood River include:

- Mid-Columbia Housing Authority (MCHA) provides:
 - Housing choice and mainstream voucher (HCV) programs
 - Housing access and supports (HAS) - tenant-based rental assistance for low-income individuals with serious & persistent mental illness
 - Valley individual development account (VIDA) program
- Columbia Cascade Housing Corporation (CCHC) provides:
 - First time homebuyer down payment assistance
 - Home repair program
 - Foreclosure avoidance and counseling
 - Affordable housing development (including 119 affordable rental units in the City)
- Mid-Columbia Community Action Council (MCCAC) provides
 - Housing assistance – homeless prevention, rapid rehousing, shelter
 - Utility assistance & energy assistance
 - Home weatherization assistance: in-home energy related improvements
- Mid-Columbia Center for Living

- Housing access and supports (HAS) - tenant-based rental assistance for low-income individuals with serious & persistent mental illness

Potential AHPS Housing Policies and Actions

This section lists potential policies that could be implemented in Hood River as part of the AHPS to address the City's affordable housing needs, along with descriptions and information to aid in policy evaluation. ECONorthwest has developed this list and refined it with the City for discussion with the Advisory Community Task Force as part of the Hood River Affordable Housing Production Strategy Project. Many of these strategies have been employed in other places in Oregon (examples in Hood River or other Oregon cities are summarized in italics under the Description section). Strategy options are categorized as follows:

- Strategies that Lower Development or Operational Costs
- Funding Sources
- Regulatory strategies
- Approaches to maintain long-term affordability

The Project Management Team has conducted a preliminary high-level evaluation of these affordable housing strategies to assess which strategies might show the most promise for inclusion in the AHPS. The Project Management Team categorized strategies as more or less promising based a variety of factors including potential scale of impact, complexity to administer, the city's potential role, types of households served (by tenure and income level), and other implementation concerns. The "more promising" strategies are those the City is considering most closely for inclusion in the AHPS and would like feedback from the Task Force on. It is probable that not all the "more promising" strategies will be included in the AHPS because the AHPS is intended to be focused on strategies that have a strong likelihood of resulting in affordable housing development. However, the strategies categorized as "less promising" are not off the table for discussion and the Task Force is welcome to provide their thoughts on these strategies as well.

The Strategy Summary Matrix (in the section below) shows the preliminary assessment of all affordable housing strategies considered for this project to date. The Strategy Summary Matrix provides information on each strategy about the type of strategy, rationale, and city role. The Summary also includes information about the preliminary evaluation for inclusion in the AHPS, potential impact, and complexity to administer. The criteria for these considerations are described below.

Preliminary Evaluation for Inclusion in the AHPS

The preliminary evaluation by the Project Management Team categorized each strategy as "more promising" or "less promising" based on:

- **More Promising** strategies are those that are more likely to have an impact on affordable housing development for households earning less than 120 % MFI in Hood River in the

next five years, and strategies where the City would be more likely to have a lead or strong partnership role in implementing.

- **Less Promising** strategies are those less likely to result in development of affordable housing in Hood River as part of the AHPS. These strategies include those that the City would not have control over implementation, those that show little potential for generating affordable units or revenue in the context of Hood River, and those that have a high complexity to implement coupled with low impact. The following section includes explanations for why each strategy was categorized as less promising.

Potential Impact

For many of the policy tools described below, we give an approximate scale of impact. **The purpose of the scale of impact is to provide context for whether the policy tool could result in a little or a lot of change in the housing market.** The scale of impact depends on conditions in the City, such as other the City's other existing (or newly implemented) housing policies, the land supply, and housing market conditions. We define the scale of impact as follows:

- A **small** impact may not directly result in development of new housing, or it may result in development of a small amount of new housing, such as 1% to 3% of the needed affordable housing. In terms of housing affordability, a small impact may not improve housing affordability in and of itself. A policy with a small impact may be necessary but not sufficient to increase housing affordability.
- A **moderate** impact is likely to directly result in development of new affordable housing, such as 3% to 5% of needed affordable housing. In terms of housing affordability, a moderate impact may not improve housing affordability in and of itself. A policy with a moderate impact may be necessary but not sufficient to increase housing affordability.
- A **large** impact is likely to directly result in development of new affordable housing, such as 5% to 10% (or more) of needed affordable housing. In terms of housing affordability, a **large** impact may improve housing affordability in and of itself. The city will still need to combine such strategies with other strategies for maximum impact.

Complexity to Administer

The Project Management Team did a preliminary assessment of the complexity to administer each of the strategies below. Some strategies require substantial up front and ongoing staff time to administer, while others have less intensive administrative requirement. Strategies with a higher complexity to administer were not automatically ruled out from consideration but were considered in relation to the likely scale of their impact. For instance, strategies with a high complexity to administer and a small impact were generally considered to be less promising for the AHPS. We define complexity to administer as follows:

- **Low** - Relatively low administrative requirements, mostly policy setup.
- **Medium** - Moderate administrative effort, which may require more time from city staff or decision makers.

- **High** - Substantial staff time and program setup requiring more time from city staff or decision makers.

Strategies Summary Table - Draft

Strategy	Category	Rationale	City Role	Preliminary Evaluation for Inclusion in AHPS	Potential Impact on Development Cost or Unit Production	Complexity to Administer	Tenure Targeted	Most Likely Affordability Level Targeted
General Fund and General Obligation (GO) Bonds	Funding sources	Flexible affordable housing subsidy	Lead	More Promising	Large	Low	Both	60-120% MFI
Urban Renewal / Tax Increment Finance (TIF)	Funding sources	affordable housing subsidy	Lead	More Promising	Moderate to Large	Low	Both	60-120% MFI
Homebuyer Opportunity Limited Tax Exemption (HOLTE)	Lower Development/Operational Costs	Reduce barriers to homeownership	Lead	More Promising	Moderate to Large	Medium	Ownership	120% MFI and below
Land Trusts	Lower Development/Operational Costs	Reduce barriers to homeownership	Partner	More Promising	Small to Large	Low	Ownership	120% MFI and below
Support Preservation of Regulated Affordable Rental Housing	Preservation	Maintain existing affordable housing	Lead	More Promising	Moderate	Medium	Rental	60% MFI and below
Land Banking, Parcel Assembly, and Land Disposition	Lower Development/Operational Costs	Reduce land costs	Lead	More Promising	Small to Large	Medium	Both	80% MFI and below
SDC Financing Credits	Lower Development/Operational Costs	Reduce development costs	Lead	More Promising	Small to Moderate	Low	Both	120% MFI and below
Sole Source SDCs	Lower Development/Operational Costs	Reduce development costs	Lead	More Promising	Small to Moderate	Low	Both	TBD
Deed Restrictions to Preserve Employee Housing	Preservation	Maintain existing affordable housing	Lead	More Promising	Small to Moderate	Low	Ownership	80% MFI and below
Ordinances to Preserving Existing Affordable Housing Supply	Preservation	Maintain existing affordable housing	Lead	More Promising	Small to Moderate	Low	Both	120% MFI and below
Add Restrictive Covenants to Ensure Affordability	Preservation	Maintain existing affordable housing	Lead	More Promising	Small to Moderate	Low	Ownership	120% MFI and below
Provide Density Bonuses to Developers	Regulatory Strategies	Reduce development costs	Lead	More Promising	Small to Moderate	Low	Both	120% MFI and below
General Fund Grants or Loans	Funding sources	Flexible affordable housing subsidy	Lead	More Promising	Small	Low	Both	120% MFI and below
Utility Fee or other Dedicated Revenue	Funding sources	Reduce rental/ownership	Lead	More Promising	Small to Moderate	Medium	Both	TBD
Support Preservation of Manufactured Home Parks	Preservation	Maintain existing affordable housing	Lead	More Promising	Small to Moderate	Medium	Both	80% MFI and below
Reduced / Waived Building Permit fee, Planning fees, or SDCs	Lower Development/Operational Costs	Reduce development costs	Lead	More Promising	Small	Medium	Both	60% MFI and below
Expedited / Fast-tracked Building Permit	Regulatory Strategies	Reduce development costs	Lead	More Promising	Small	Medium	Both	120% MFI and below

Strategy	Category	Rationale	City Role	Preliminary Evaluation for Inclusion in AHPS	Potential Impact on Development Cost or Unit Production	Complexity to Administer	Tenure Targeted	Most Likely Affordability Level Targeted
Tax Abatements for Regulated Affordable Housing (Nonprofit Corporation Low Income Housing Tax Exemption)	Lower Development/Operational Costs	Reduce operational costs	Lead	More Promising	Small to Moderate	High	Rental	60% MFI or below
Vacancy Tax	Funding sources	Incentivize affordable housing rentals	Lead	More Promising	Small to Moderate	High	Both	TBD
Endorse Cooperative Housing Models	Lower Development/Operational Costs	Reduce barriers to homeownership	Lead	More Promising	Small to Moderate	High	Ownership	60-120% MFI
Inclusionary Zoning	Regulatory Strategies	Incentivize or require new affordable	Lead	More Promising	Small to Moderate	High	Both	80% MFI and below
Multiple-Unit Limited Tax Exemption Program (Locally Enabled and Managed)	Lower dev barriers	Reduce development costs	Lead	Less Promising	Small to Large	Medium	Rental	100% MFI and below
Reduced Parking Requirements for affordable housing developments	Regulatory Strategies	Reduce development costs	Lead	Less Promising	Small to Large	Medium	Rental	TBD
Encourage Diverse Housing Types in High Opportunity Neighborhoods	Regulatory Strategies	Increase housing diversity	Lead	Less Promising	Moderate	Medium	Both	120% MFI and below
Foundation Awards	Funding sources	Affordable housing subsidy	Partner	Less Promising	Small	N/A	Both	120% MFI and below
Transient Lodging Tax (TLT)	Funding sources	Affordable housing subsidy	Lead	Less Promising	Small	N/A	Both	TBD
Linkage Fees	Funding sources	Affordable housing subsidy	Lead	Less Promising	Small	High	Rental	TBD
Local Innovation and Fast Track (LIFT) Program for Affordable Rental Housing Development	Funding sources	Affordable housing subsidy	None	Less Promising	Small	N/A	Rental	80% MFI and below
Employer-Assisted Housing	Lower dev barriers	Increase employee housing	Partner	Less Promising	Small	Low	Both	120% MFI and below
Re-designate or rezone land for housing	Regulatory Strategies	Increase affordable housing land	Lead	Less Promising	Small	High	Both	120% MFI and below
Allow tiny homes	Regulatory Strategies	Increase housing diversity	Lead	Less Promising	Small	Medium	Both	120% MFI and below
Accessible Design Incentives	Regulatory Strategies	Increase housing diversity	Lead	Less Promising	Small	Medium to High	Both	120% MFI and below

Strategies that Lower Development or Operational Costs

The following policies focus on ways in which the City and other entities involved in development can provide financial assistance to lower development or operational costs in a city to increase housing affordability and available housing stock.

Strategy	Description	Scale of Impact
Homebuyer Opportunity Limited Tax Exemption (HOLTE)	<p>This program allows property tax exemptions for some new residential construction. This program can serve as an incentive to stimulate the construction of new single-unit housing and encourage homeownership among low and moderate-income families. Ongoing administrative requirements include an annual application process and ongoing monitoring to ensure owner-occupancy.</p> <p><i>In Portland, properties participating in the HOLTE Program receive a ten-year property tax exemption on the structural improvements of the single-unit housing as long as the single-unit housing and owner remain eligible per program requirements. The sale price cannot exceed 120% of the annual median sale price for single-unit housing the City of Portland.</i></p>	<p>Moderate to large. An abatement can be an important incentive to enable new development.</p>
Land Trusts	<p>A land trust is typically a nonprofit organization that owns land and sells or leases the housing on the land to income-qualified buyers. Because the land is not included in the housing price for tenants / buyers, land trusts can achieve below-market pricing. Land trusts are most commonly used as a method for supporting affordable home ownership goals.</p> <p>Land trusts are purposed for long-term stewardship of lands and buildings. Lands / buildings acquired may have need for remediation or redevelopment. Lands / buildings may have also been acquired to preserve affordability, prevent deferred maintenance, or protect against foreclosure.</p> <p>A City could support a land trust in several ways, including land write-downs (in parallel with a city land disposition strategy), permit fee or SDC waivers, and outright subsidies.</p> <p><i>Proud Ground (Portland Metro Area) was founded in 1999 and has grown into one of the largest community land trusts in the country. The organization focuses on affordable homeownership and controls ground leases associated with 270 homes in Multnomah, Washington, Clackamas, and Clark County.</i></p> <p><i>Big River Community Land Trust (BLCLT) was formed in 2020 to develop a supply of permanently affordable housing in the central Gorge area. Columbia-Cascade Housing Corporation also recently formed a Community Land Trust. BRCLT serves households earning 80 to 120 % MF while CCHC land trust serves households earning up to 100 % AMII. The City of Hood River is exploring partnership opportunities with local land trusts.</i></p>	<p>Small to large. A land trust will have the biggest impact on production of low- and moderate-income affordable housing. Considering how difficult it is to build this type of affordable housing and the level of need for affordable housing, a land trust could increase nonprofits' capacity to build affordable housing.</p>

Strategy	Description	Scale of Impact
<p>Expand Land Banking, Parcel assembly, and Land Disposition Efforts</p>	<p>Land banks support housing development by reducing or eliminating land cost from development, with the goal of increasing the affordability of housing. They can take several forms. Many are administered by a non-profit or non-governmental entity with a mission of managing a portfolio of properties to support affordable housing development over many years or decades. Ideally, a land bank is set up to manage financial and administrative resources, including strategic property disposal, for the explicit purpose of supporting affordable housing development. Cities can partner with non-profits or sometimes manage their own land banks. Cities may also donate, sell, or lease publicly-owned land for the development of affordable housing even without a formal 'land bank' organization.</p> <p>Parcel assembly involves the city's ability to purchase lands for the purpose of land aggregation or site assembly. It can directly address the issues related to limited multifamily lands being available in appropriate locations. Typical goals of parcel assembly programs are: (1) to provide sites for rental apartments in appropriate locations close to services and (2) to reduce the cost of developing multifamily rental units</p> <p>Parcel assembly can lower the cost of multifamily development because the City is able to purchase land in strategic locations over time. Parcel assembly is often associated with development of affordable housing (affordable to households with income below 60% of MFI), where the City partners with nonprofit affordable housing developers.</p> <p>The public sector sometimes controls land that has been acquired with resources that enable it to dispose of that land for private and/or nonprofit redevelopment. Land acquired with funding sources such as tax increment, EB-5, or through federal resources such as CDBG or HUD Section 108 can be sold or leased at below market rates for various projects to help achieve redevelopment objectives. This increases development feasibility by reducing development costs and gives the public sector leverage to achieve its goals via a development agreement process with the developer. Funding can come from Tax Increment, CDBG/HUD 108, or EB-5.</p> <p><i>The City of Hood River purchased a property at 780 Rand Road and is currently working on parcel assembly with Hood River County & the adjacent landowner.</i></p>	<p>Small to large.</p> <p>A land bank will have the biggest impact on production of low- and moderate-income affordable housing. Considering how difficult it is to build this type of affordable housing and the level of need for affordable housing, a land bank could increase nonprofits' capacity to build affordable housing.</p> <p>Parcel assembly is most likely to have an effect on a localized area, providing a few opportunities for new multifamily housing development over time.</p>
<p>SDC Financing Credits</p>	<p>May help to offset an SDC charge, which is a one-time fee that is issued when there is new development or a change in use.</p> <p>SDC financing enables developers to stretch their SDC payment over time, thereby reducing upfront costs. Alternately, credits allow developers to make necessary improvements SDC financing enables developers to pay their SDCs over to the site in lieu of paying SDCs. Note that</p>	<p>Small to moderate. The City may consider changes in SDCs to allow financing, but the City would want to ensure</p>

Strategy	Description	Scale of Impact
	the City can control its own SDCs, but often small cities manage them on behalf of other jurisdictions including the County and special districts. SDCs are granted when the project makes lasting improvements, such as improving roads, reducing number of trips, create or improve parks or recreational centers, and permanently removing water services.	that the impact does not negatively impact the City's near-term finances or ability to fund needed capital projects.
Sole Source SDCs	Retains SDCs paid by developers within a limited geographic area that directly benefits from new development, rather than being available for use city-wide. This enables SDC-eligible improvements within the area that generates those funds to keep them for these improvements. Improvements within smaller areas can enhance the catalytic and redevelopment value of the area. This tool can also be blended with other resources such as LIDs and Urban Renewal (Tax Increment Financing). Funding can come from an SDC fund or general fund. In some cases, there may be no financial impact.	Small to moderate. Depends on how the tool is implemented and whether it is used with other tools, such as LIDs or Urban Renewal.
Reduced / Waived Building Permit fee, Planning fees, or SDCs	<p>Programs that reduce various development fees as an incentive to induce qualifying types of development or building features. There are a number of avenues to seek reduced or waived fees. For example, stormwater improvements can be made through the Commercial Stormwater Fee Reduction. There are commonly used tools, often implemented in conjunction with development agreements or other development negotiation processes.</p> <p><i>City of Portland offers SDC exemptions for affordable housing. Portland's SDC Exemption Program exempts developers of qualifying affordable housing projects from paying SDCs levied by the City of Portland for transportation, water, parks and environmental services. Eligible rental projects must serve households earning at or below 60% of the AMI for a 60-year period. Portland also offers SDC waivers for development of ADUs.</i></p> <p><i>City of McMinnville offers SDC exemptions and reduced permit fees for affordable housing. Building and planning permit fees for new or remodel housing construction projects are reduced by 50% for eligible projects and SDCs for transportation, wastewater and parks are exempted at 100%. Reductions/exemptions are prorated for mixed use or mixed-income developments. The property must be utilized for housing for low-income persons for at least 10 years or the SDCs must be paid to the city.</i></p>	Small. Can improve development feasibility.
Nonprofit Corporation Low Income Housing Tax Exemption	<p>Note: These are two separate tax exemptions available under statute (ORS 307.515 to 307.523 / ORS 307.540 to 307.548). They are grouped together for their similarities (but differences are noted).</p> <p>Land and improvement tax exemption used to reduce operating costs for regulated affordable housing affordable at 60% AMI or below. Requires the City to adopt standards and guidelines for applications and enforcement mechanisms.</p>	Small to moderate. The exemption reduces operating costs, meaning it is a tool more useful to property owners of affordable housing

Strategy	Description	Scale of Impact
<p>and</p> <p>Low-Income Rental Housing Tax Exemption</p>	<p>The low-income rental housing program exemption lasts 20 years. The nonprofit corporation low-income housing program must be applied for every year but can continue as long as the property meets the criteria. Rents must reflect the full value of the property tax abatement and City can add additional criteria.</p> <p>There is no requirement that construction must be complete prior to application.</p> <p>Programs both work well in tandem with other incentives, such as land banking.</p>	<p>projects. Developers, who do not own and operate their own projects, may be less inclined to use the program.</p>
<p>Endorse Cooperative Housing Models</p>	<p>A housing cooperative, along with a condominium, is one of two legal structures available to allow resident-ownership of multifamily property. Cooperatives provide a flexible and accessible homeownership model. Instead of an individual family owning a single-family home or a condominium, a cooperative corporation, or co-op, formed by the residents, owns housing, most often in the form of a multifamily building. Each resident household buys a share in the co-op building at a price that can be far below the cost of a down payment for a market rate single family home; this is called a “share price.” Purchasing this share makes the household a member of the co-op and entitles the household to live in a unit with a proprietary lease.</p> <p>There are several ways that the City might support cooperative housing development:</p> <ul style="list-style-type: none"> • Set aside land and release an Request for Qualifications to attract a cooperative development pilot project. • Start a pilot project with a URA or allocate other funding to support cooperative housing projects. • Work with MCHA to allocate their federal Community Development Block Grant (CDBG) funding for membership shares. 	<p>Small to Moderate.</p>

Other potential affordable housing strategies that lower development or operational costs, but are considered less promising for the AHPS, include:

- **Employer-Assisted Housing** - There could be a role for the City to encourage employers to pursue this strategy. However, this is categorized as a less promising AHPS strategy as the city would lack control over the process.
- **Multiple-Unit Limited Tax Exemption Program (Locally Enabled and Managed)** – This strategy is considered less promising for the AHPS due to the complexity to administer.

Funding Sources

The following policies focus on ways to pay for the costs of implementing the affordable housing programs and infrastructure development.

Strategy	Description	Scale of Impact
Urban Renewal / Tax Increment Finance (TIF)	<p>Tax increment finance revenues are generated by the increase in total assessed value in an urban renewal district from the time the district is first established. As property values increase in the district, the increase in total property taxes (i.e., City, County, school portions) is used to pay off the bonds. When the bonds are paid off, the entire valuation is returned to the general property tax rolls. TIFs defer property tax accumulation by the City and County until the urban renewal district expires or pays off bonds. Over the long term (most districts are established for a period of 20 or more years), the district could produce significant revenues for capital projects.</p> <p>Cities can create a TIF set-aside for affordable housing development programs within designated Urban Renewal Areas. The target could be to set aside funds for affordable housing projects as a medium-term action, over the next 5 years or so.</p> <p><i>Portland City Council designates 45% of the gross amount of TIF for designated housing purposes (rental housing for households under 60% of Area Median Income (AMI) and homeownership for households under 80% of AMI.</i></p>	<p>Moderate to Large. Urban Renewal funding is a flexible tool that allows cities to develop essential infrastructure or provides funding for programs that lower the costs of housing development (such as SDC reductions or low interest loan programs).</p>
General Fund and General Obligation (GO) Bonds	<p>General Obligation (GO) bonds provide a stable, dedicated revenue source through increased property tax rates. Cities or other jurisdictions can issue bonds backed by the full faith and credit of the jurisdiction to pay for capital construction and improvements. GO bonds are issued for a specific dollar amount and paid for over the period of the bond through increased property taxes. They can be structured to provide revenue in increments, over time, rather than in one large up-front amount. Because they are legally limited to use for capital investments and require a public vote to enact, these bonds are typically used for major infrastructure investments (such as roadway improvements that benefit all or nearly all of a city's residents). However, GO bonds can be used for land acquisition or development if the city's residents agree to fund them and at least one jurisdiction in Oregon – the City of Portland – is using this tool to construct affordable housing. Bonds cannot be used for supportive services or for operations.</p> <p>Currently, state regulations require that a local jurisdiction needs to own and operate a housing development if funded by a GO bond. These requirements limit the ability for the City to use general obligation bond proceeds to complement other tools that are available to private or non-profit developers, like LIHTCs.</p>	<p>Moderate to large. GO Bonds can be used to develop essential infrastructure or provides funding for programs that lower the costs of housing development (such as SDC reductions or low interest loan programs).</p>

	<p><i>City of Portland passed \$258 million bond for affordable housing in 2016. The goal of the bond is to build or preserve up to 1,300 units in the next five to seven years. The city issued a request for information to solicit interest in acquiring properties or land under the affordable housing bond. The city is looking for opportunities to acquire existing properties of 20 or more units, or vacant land that is appropriately zoned for 20+ housing units and is looking for both traditional and nontraditional development opportunities.</i></p>	
General Fund Grants or Loans	<p>A city can use general fund or tax increment dollars to directly invest in a specific affordable housing projects. General fund dollars are generally in short supply; housing projects and programs must compete with other key City services for funding. However, as a source of one-time funds for important projects, to support outreach efforts and fund staff time, or for other smaller scale funding needs, the general fund can be a critical contributor to affordable housing implementation. There are several options for using general fund grants or loans, including the potential for bonds to generate upfront revenue that is repaid over time, as recently approved in the City of Portland. Another option is to use general fund dollars to contribute to other programs that are successfully operating, such as non-profit land trusts or even other government agencies that have the administrative capacity to maintain compliance requirements over time, using intergovernmental agreements.</p>	Depends on the amount of funding available.
Utility Fee or other Dedicated Revenue	<p>Cities have many options for fees or revenues that could contribute to affordable housing funding, such as:</p> <ul style="list-style-type: none"> • A fee could be added to city utility bills to raise funds for affordable housing (e.g., pay debt service on a bond) with the ability to exempt cost-burden households. • Business license tax, such as the tax implemented by City of Portland • Sales tax, such as a sales tax on food and beverages, similar to that implemented by Ashland • Direct existing user fees into an enterprise fund that provides dedicated revenue to fund affordable housing projects 	Small to Moderate.
Vacancy Tax or Vacation Home Tax	<p>Annually assess a tax or fee as a percentage of the assessed home value. Tax success would not necessarily be measured by how much is collected, rather, the announcement of the tax would incentivize landowners to seek tenants before the year vacancy is assessed and tax is in effect. This strategy would require a vacancy definition, and potentially earmark revenues for affordable housing development.</p> <p><i>The City is investigating whether this approach is legally feasible.</i></p>	Small to Moderate.

Other potential affordable housing strategies that provide a funding source, but are considered less promising for the AHPS, include:

- **Local Innovation and Fast Track (LIFT) Program for Affordable Rental Housing Development** - This program is implemented by the state and therefore isn't considered a high-potential strategy for the AHPS due to lack of city control. Use of this program can occur without inclusion of this strategy in the AHPS.
- **Transient Lodging Tax (TLT)** - The City's TLT funds are already committed, so there is little opportunity to generate additional revenue.
- **Foundation Awards** - Local, regional, and national foundations provide both capital funding and program funding for a wide variety of innovative housing models and programs. For the AHPS, this is considered a lower potential strategy due to complexity to implement coupled with low impact. Pursuit of foundation awards can be done without inclusion in the AHPS.
- **Linkage Fees** - Linkage fees are charges on new development, usually commercial and / or industrial development only, that can be used to fund affordable housing. To implement them, a city must undertake a nexus study that identifies a legal connection between new jobs housed in the developments, the wages those jobs will pay, and the availability of housing affordable to those employees. This is considered a lower potential strategy for the AHPS due to complexity to implement coupled with low impact.

Regulatory Strategies

The following policies focus on ways in which the City can modify its current land use regulations in order to increase housing affordability and available affordable housing stock.

Strategy	Description	Scale of Impact
<p>Provide Density Bonuses to Developers</p>	<p>The local government allows developers to build housing at densities higher than are usually allowed by the underlying zoning. Density bonuses are commonly used as a tool to encourage greater housing density in desired areas, provided certain requirements are met. This strategy is generally implemented through provisions of the local zoning code and is allowed in appropriate residential zones. Density bonuses typically come in the form of height or floor area ratio (FAR) bonuses.</p> <p>Bonus densities can also be used to encourage development of low-income or workforce affordable housing. An affordable housing bonus would allow for more housing units to be built than allowed by zoning if the proposed project provides a certain number of affordable units.</p> <p><i>City of Bend offers affordable housing density and height bonuses. The density increase is based on the percentage of affordable housing units within the proposed development: if 10% of the units are affordable, the maximum density is 110% of the standard maximum density. The maximum density bonus is 50% above the base density. Qualifying projects must be affordable to households at or below 60% of the AMI for rental housing and at or below 80% of the AMI for ownership housing and require development agreements and restrictions to ensure continued affordability.</i></p> <p><i>Ashland has four different density bonuses, one of which is for development of affordable housing at higher densities. Affordable housing projects meeting eligibility requirements (including rental housing affordable to households at or below 60% of AMI or ownership housing affordable to households at or below 80% of AMI for a minimum of 30 years) receive a density bonus of two units for each affordable housing unit provided, up to a maximum of a 35% increase in density.</i></p>	<p>Small to Moderate. Depends on the bonus provided and developer interest in the bonus.</p>
<p>Expedited / Fast-tracked Building Permit</p>	<p>Expedite building permits for pre-approved development types or building characteristics (e.g., green buildings).</p> <p><i>City of Bend offers expedited review and permitting for affordable housing. Any residential or mixed-use development that receives local, state or federal affordable housing funding is eligible to receive a written decision by the Planning Department</i></p>	<p>Small. Expedited permit processing will benefit a limited number of projects. It may be necessary but not sufficient to increase</p>

	<i>within two weeks of the date of submittal. For projects that require more complex planning review, a decision will be written or the first public hearing will be held within six weeks of the date of submittal.</i>	housing production on its own.
Inclusionary Zoning	<p>Inclusionary zoning policies tie development approval to, or provide regulatory incentives for, the provision of low- and moderate-income housing as part of a proposed development. Mandatory inclusionary zoning requires developers to provide a certain percentage of low-income housing. This strategy is development driven and has the potential to curtail development overall, if developers look to other cities without these requirements). Another option is voluntary inclusionary housing (or incentive-based zoning), wherein developers receive certain valuable incentives, such as the right to build at higher density, in exchange for providing affordable homes.</p> <p>The price of low-income housing passed on to purchasers of market-rate housing. Inclusionary zoning impedes the "filtering" process where residents purchase new housing, freeing existing housing for lower-income residents.</p> <p>Oregon's inclusionary zoning laws apply to structures with 20 or more multifamily units, with inclusion of units that are affordable at 80% of the median family income of the city.</p> <p><i>The City of Portland has implemented an inclusionary zoning program. While Portland's inclusionary zoning program is resulting in production of affordable multifamily units, there is considerable discussion and disagreement about the impact of number of multifamily units being built and potential changes in the location of units.</i></p>	Small to moderate. Inclusionary zoning has recently been made legal in Oregon. The scale of impact would depend on the inclusionary zoning policies adopted by the city.

Other potential affordable housing regulatory strategies that are considered less promising for the AHPS include:

- **Reduced Parking Requirements for affordable housing developments** - This strategy could be challenging to implement due to lack of transit in Hood River and lack of consensus around the topic.
- **Re-designate or rezone land for housing** - This strategy has been challenging to implement in the past because of resident concerns about increasing densities. The City may pursue this strategy in projects outside of the AHPS.
- **Allow tiny homes** - This strategy is considered outside of the scope unless it is restricted to affordable housing. There are building code issues that would need to be worked out. The City already permits cottage homes through the Middle Housing code or Planned Unit Developments (PUDs). The City can choose to allow tiny homes, even if this strategy is not included in the AHPS.

- **Accessible Design Incentives** - This strategy is considered to have lower potential for the AHPS due to complexity to implement combined with low impact and the potential to add expense to housing projects.
- **Encourage Diverse Housing Types in High Opportunity Neighborhoods** - This type of strategy is more applicable in larger jurisdictions where there are large geographic disparities in access to opportunities and substantial transit systems. All of Hood River could be considered a high-opportunity neighborhood, therefore efforts to encourage diverse housing types should not be limited to specific areas within the City.

Approaches to Maintain Long-term Affordability

Strategy	Description	Scale of Impact
Support Preservation of Regulated Affordable Rental Housing	<p>Encourage and support preservation of affordable rental housing for households earning 0-60% Median Family Income, working with the State and affordable housing partners to ensure no net loss of regulated affordable housing units.</p> <p>The City could conduct outreach to LIHTC property owners to establish relationships with them and better understand their intentions when the tax credits are near to expiration.</p> <p>The City could work to identify organizations (e.g., nonprofit affordable housing providers) that might be willing and able to acquire the properties where the owners seek to sell or convert them to market rate. The City could also reach out to the property owner before the end of the affordability period to offer technical assistance with preservation options and make them aware of any City programs or incentives available at that time to support maintaining affordability (e.g., tax exemptions).</p>	Moderate.
Deed Restrictions to Preserve Employee Housing	<p>The City could incentivize deed restrictions that preserve housing for employees in Hood River by paying a portion of a home's value in exchange for restricting future use of the unit: a home must be owned or occupied by people who are qualified households or residents. A deed restriction is an agreement that restricts the use of a property in some way and is recorded on the property in exchange for some amount of funding from the program, the restrictions remain with the property in future sales.</p>	Small to Moderate.

<p>Ordinances to Preserving Existing Affordable Housing Supply</p>	<p>Housing preservation ordinances typically condition the demolition or replacement of certain housing types on the replacement of such housing elsewhere, fees in lieu of replacement, or payment for relocation expenses of existing tenants. Preservation of existing housing may focus on preservation of smaller, more affordable housing. Approaches include:</p> <ul style="list-style-type: none"> • Housing preservation ordinances • Housing replacement ordinances • Single-room-occupancy ordinances • Regulating demolitions 	<p>Small to moderate. Preserving small existing housing can make a difference in the availability of affordable housing in a city but it is limited by the existing stock housing, especially smaller, more affordable housing. Cities with older housing stock are more likely to benefit from this policy.</p>
<p>Add Restrictive Covenants to Ensure Affordability</p>	<p>Adding restrictive covenants to ensure affordability over time at a certain income level for affordable housing developments. Restrictive covenants are usually placed on a property in exchange for a local or state government providing financial contribution to the project. These covenants work best over the short-term (up to 30 years); after that they become unable to accommodate changed circumstances.</p>	<p>Small to Moderate. Preserves affordable housing over covenant term.</p>
<p>Support Preservation of Manufactured Home and Mobile Home Parks</p>	<p>Preservation of manufactured home parks can be accomplished through a range of approaches, such as resident owned cooperatives or non-profit ownership. Oregon Housing and Community Services (OHCS) has regularly received lottery bonds or general funds from the Oregon Legislature to preserve manufactured home parks through these approaches. Hood River could work with owners of manufactured home parks, especially those where redevelopment is being considered, to identify opportunities to preserve manufactured home parks through these approaches.</p>	<p>Small to moderate.</p>