

DATE: July 29, 2024
TO: Kim Rybold and Dan Pauly, City of Wilsonville
FROM: Nicole Underwood and Beth Goodman, ECONorthwest
SUBJECT: Wilsonville Housing Production Strategy: Existing and Potential Strategies

The City of Wilsonville recognizes the need for housing that meets the diverse requirements of its community members. To help address this need, the City is developing its first Housing Production Strategy (HPS) in accordance with House Bill 2003 adopted by the Oregon legislature in 2019. The HPS will outline actions that the City will undertake to encourage housing development and preservation that meets the needs of its residents with a focus on low and middle-income households, individuals with disabilities, those experiencing homelessness, and historically marginalized communities within the city.

This memorandum presents information about strategies that Wilsonville has already implemented in recent years to address housing need as well as a wide range of potential strategies for consideration.

Existing Policies, Programs, and Partnerships to Address Wilsonville’s Housing Needs

Since Wilsonville completed its Housing Needs Analysis in 2014, the City has implemented numerous programs and policies to support housing development and address community housing needs. This includes the adoption of the Wilsonville Equitable Housing Strategic Plan in 2020, which outlined actions to promote more equitable housing outcomes. Initiatives that the City has implemented since 2014 include:

- ◆ **Monitoring Development Activity.** The City produces annual housing reports which allows the City to understand how fast land is developing and better understand housing need. This is in direct response to a recommendation in the 2014 Housing Needs Analysis.
- ◆ **Development Code Amendments.** The City implemented code amendments to encourage housing development and comply with State laws and rules related to housing. Some of these changes are detailed below.
 - **Allowed missing middle housing.** To help implement the City's Equitable Housing Strategic Plan (Action 1B) and Oregon House Bill 2001 adopted by the Oregon Legislature in 2019, the City amended the Development Code to allow townhouses, duplexes, triplexes, and fourplexes - “middle housing” – in all zones that permit single-family detached dwellings.

- **Established clear and objective design standards for all housing types.** The City established clear and objective design standards for all housing types in 2020 in compliance with State law (Ord. No. 841).
- **Removed zoning barriers to ADUs and other smaller unit types.** The City removed zoning barriers to ADUs in compliance with State law (Ord. No. 841).
- **Eliminated/reduced parking requirements.** The City adjusted parking requirements as part of the Middle Housing in Wilsonville project. Also, while Code amendments have not occurred to date, the City is implementing State limitations on parking requirements established by the Climate Friendly and Equitable Communities rulemaking (CFEC). The State rules include not requiring parking in key areas of future housing growth, including Town Center and Frog Pond. This aligns with Action 2B from Equitable Housing Strategic Plan.
- **Implemented mixed housing type requirements in Frog Pond.** Frog Pond East and South took middle housing implementation further by including strategies and regulations that will ensure development of a variety of middle housing types.
- ◆ **Land Disposition:** The Equitable Housing Strategic Plan identified exploration of transit-oriented development (TOD) at the Wilsonville Transit Center as a high-priority action (Action 1A). The City solicited development proposals for this site and selected Palindrome as the developer for this project which will begin construction in late summer 2024. The project includes 121 units of housing affordable to households making between 30% and 80% of Area Median Income, along with ground-floor tenants including a welcome center for SMART, a new home for Wilsonville Community Sharing, and a coffee house/taproom space.
- ◆ **System Development Charges (SDC):** The City established an SDC deferral program for affordable housing projects on City-owned property in 2024, in alignment with Action 2C from the Equitable Housing Strategic Plan. This deferral program has since been used for the TOD project at the Wilsonville Transit Center. In addition, the City established SDC waivers for ADUs in 2010. The waivers have been used for 16 ADUs.
- ◆ **Vertical Housing Development Zone (VHDZ):** The City adopted a VHDZ in 2022 (Action 1C of the Equitable Housing Strategic Plan), which offers a partial property tax exemption on building improvement value for developments that include housing with non-residential use on the ground floor, with the amount of tax exemption increasing based on the size and composition of the project. In most cases this means 20% abatement, per floor of residential use above the ground floor. The abatement period for an eligible project is 10 years.
- ◆ **Nonprofit Corporation Low Income Housing Tax Exemption.** The City implemented the Nonprofit Corporation Low Income Housing Tax Exemption in 2004. This program has supported the development of most of the City’s income-restricted affordable units.



- ◆ **Safe Sleep Site:** In response to new Oregon and federal laws that provide compassionate protections for people experiencing homelessness, the City of Wilsonville established new local overnight camping guidelines in May 2023. The City established a safe sleep site at City Hall where vehicle and tent camping are allowed between the hours of 9pm and 7am.
- ◆ **Accessibility for People with Disabilities:** The Frog Pond East and South Master Plan includes a strategy to require a certain percentage of units be friendly or adaptable for limited mobility in alignment with Action 2H of the Equitable Housing Strategic Plan.

Potential Strategies to Meet Wilsonville’s Needs

This section provides an initial menu of additional actions that the City can take to meet its housing needs. Where relevant, this section indicates if an action was prioritized as a part of the Equitable Housing Strategic Plan but has not yet been implemented. This does not mean that the City must pursue actions that were in the Equitable Housing Strategic Plan but aims to inform the Task Force about actions previously considered and prioritized by the City.

Many of the actions outlined in this section require additional staff capacity and/or funding sources. Potential funding sources are discussed as a part of this section. The City may also want to consider hiring additional staff to implement some of these actions. For instance, Action 1E from the Equitable Housing Strategic Plan suggested the need for a City Liaison to facilitate connections to partners and housing resources. The City may want to revisit hiring a City Liaison in the HPS process to help address the need for additional staff capacity identified in these actions.

Actions to Streamline or Incentivize Development

- ◆ **Evaluate Redesignating or Rezoning Land for Housing.** This may include vacant or partially vacant low-density residential land and employment land. These areas could be rezoned for multifamily housing, mixed-use development, or other types of housing that the City needs.
- ◆ **Incentivize Development of Manufactured, Prefabricated, and Modular Housing.** Offer a density bonus or other incentive for manufactured, prefabricated, or modular housing, possibly connecting the incentive to housing that is priced to be affordable at 120% of MFI or less.
- ◆ **Allow Multifamily Buildings in Commercial Zones without Commercial Uses.** Allowing for multifamily buildings in commercial areas without commercial uses on ground floors can result in lower rents, while still contributing to development of a mixed-use environment.
- ◆ **Allow Small or “Tiny” Homes.** The Oregon Reach Code, Part II, defines a “tiny house” as a dwelling that is 400 square feet or less in floor area, excluding lofts. The City could



allow and incentivize tiny houses or tiny house villages by providing regulatory incentives – such as reductions in required off-street parking or open space – for units less than 400 SF in floor area. The City could conduct an initial audit to identify any standards in the Development Code that might inadvertently hinder development of tiny homes. The City could then explore additional incentives to encourage the development of tiny homes.

- ◆ **Rental Housing Maintenance Code.** A Rental Housing Maintenance Code is an adopted ordinance which requires landlords to maintain their rental properties to particular habitability standards.
- ◆ **Expand flexibility for live-work and living units accessory to other uses like businesses.** Update zoning regulations to allow housing units associated with a number of non-residential uses where business owners or employees can live on the same site as a business.

Actions to Reduce Costs for Housing Development

- ◆ **Expand Land Banking, Parcel Assembly, and Public Land Disposition Efforts.** This is a city-initiated program to buy and hold land for future development opportunities and could include assembly of two or more smaller parcels into one larger site. The City may evaluate city-owned land to identify surplus land, as well as work with public partners to identify surplus publicly owned land in Wilsonville. This action supports affordable housing by reducing or eliminating land costs from development. This strategy aligns with Action 2A from the Equitable Housing Strategic Plan and would require a funding source and additional staffing.
- ◆ **Community Land Trusts (CLT).** The community land trust model typically used in the Portland area involves a non-profit, municipal, or other organization that owns land and provides long-term ground leases to low-income households to purchase the homes on the land, agreeing to purchase prices, resale prices, equity capture, and other terms. The City could pursue discussions with a CLT, determine the sites it could offer for a CLT, and explore options agreements for development of affordable units for homeownership, potentially as a part of single-family neighborhood development. This strategy aligns with Action 2D from Equitable Housing Strategic Plan and may require additional staffing to implement.
- ◆ **Limited Equity Cooperative Housing Models.** A limited equity housing cooperative is a homeownership model where residents purchase a share of the development (rather than an individual unit) and commit to reselling their share at a price determined by a formula. This model ensures long-term affordability for future owners. A cooperative corporation, formed by the residents, owns the housing most often in the form of a multifamily building. This could be combined with the Community Land Trust strategy.



Actions to Preserve Affordable Housing and Maintain Long-term Affordability

- ◆ **Support Preservation of Regulated Affordable Rental Housing.** 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, especially where prior federal tax credits are expiring in the next 5 to 10 years. This strategy would require additional staff capacity to implement.
- ◆ **Preserve Existing Housing Supply.** 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. Wilsonville already has an ordinance in place that addresses mobile home park closures, helping to preserve the city's existing affordable housing supply provided by mobile homes.
- ◆ **Housing Rehabilitation Code.** Housing rehabilitation codes are building codes designed to reduce the costs of renovating and rehabilitating existing buildings, thereby facilitating the continued availability and habitability of older rental housing and owner-occupied homes. This is especially helpful to facilitate conversion of single-unit housing into multiple units, ensuring and expanding naturally occurring affordable housing.
- ◆ **Add Restrictive Covenants to Ensure Affordability.** Adding restrictive covenants to ensure affordability over time at a certain income level for new or rehabilitated 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.
- ◆ **Support Preservation of Manufactured Home and Mobile Home Parks.** Preservation of manufactured home parks can be accomplished through a range of approaches, such as resident owned cooperatives, non-profit ownership, or developing a zone that only allows manufactured home parks. Wilsonville has an existing ordinance in place that addresses mobile home park closures, helping to preserve the city's existing affordable housing supply provided by mobile homes.
- ◆ **Policies Requiring or Incenting Purchase Rights to Nonprofits or City (First Right of Refusal Policies).** Policy that would require landlords to notify cities and/or nonprofits of the intent to sell so that the cities/nonprofits have the ability to purchase land/properties before they turn to market rate (important for low-cost, market-rate housing).



Actions to Reduce Housing Costs (Property Tax Abatement Programs)

- ◆ **Multiple Unit Limited Tax Exemption Program.** Incentivizes high-quality, mixed-use, and diverse housing options by selecting a development to award a property tax exemption. All new multifamily units that are built or renovated that offer rent below 120% of AMI are potentially eligible for this tax exemption. This strategy aligns with Action 2A from Equitable Housing Strategic Plan. Additional staff capacity needed to implement the program in Wilsonville.
- ◆ **Homebuyer Opportunity Limited Tax Exemption (HOLTE).** This program allows property tax exemptions for some new residential construction and can support homeownership among low and moderate-income households. Ongoing administrative requirements include an annual application process and ongoing monitoring to ensure owner-occupancy. This strategy aligns with Action 2A from Equitable Housing Strategic Plan. Additional staff capacity needed to implement the program in Wilsonville.
- ◆ **Property Tax Relief for Income Qualified Homeowners.** Cities can cap the amount of property tax that homeowners have to pay as a share of their income or provide relief to lower-income renters by treating some portion of their rent as attributable to property taxes and then providing an income tax credit to offset the increase in taxes. Additional staff capacity needed to implement the program in Wilsonville.

Actions that Provide Financial and Other Assistance to Households

- ◆ **Homebuyer Assistance Programs.** This program provides grants or loans to help low- or moderate-income households cover down payment and closing costs to purchase homes on the open market. Cities often partner with nonprofit agencies that provide homeownership assistance. This strategy aligns with Action 2E from Equitable Housing Strategic Plan and will require additional staffing and/or funding to implement.
- ◆ **Housing Rehabilitation Programs.** Cities often offer home rehabilitation programs, which provide loans to low- and moderate-income households for rehabilitation projects such as making energy efficiency, code, and safety repairs. This strategy aligns with Action 2G from Equitable Housing Strategic Plan and would require a funding source and additional staffing to implement.
- ◆ **Weatherization Funds through Community Action Agencies.** Use weatherization funds administered by statewide network of Community Action Agencies to preserve aging housing stock occupied by income-qualified residents. The City could play an active role in supporting this program by providing informational/promotional assistance to residents. This strategy may require additional staffing to implement.
- ◆ **Rental Assistance Programs.** Rental assistance programs provide funds to qualifying low-income households to pay rental costs. The City could choose to administer a rental assistance program itself or could provide support to non-profit agencies that



provide these services. This strategy would require a funding source and may require additional staffing to implement.

- ◆ **Employer Assisted Housing.** Employer-assisted housing programs help employees meet their housing needs, which in turn helps employers achieve their business goals. The City's role could be to provide subsidies, convene employers with other players in the housing sphere, or partner in development. This strategy would require a funding source and/or additional staffing to implement.

Actions to Address Homelessness

- ◆ **Develop a Navigation Center.** A navigation center provides emergency shelter beds for single adults, families, and couples. The navigation center should include support services such as coordinated entry assessment, housing placement, counseling, case management, medical services and referrals, and other services. This strategy may require a funding source and/or additional staffing to implement.
- ◆ **Support Targeted Housing Services.** The City can work with partners, such as the housing authority or nonprofit developers, to support development of housing for households with very low incomes (or no incomes) that includes services necessary to help a person transition from homelessness into housing. These types of housing include permanent supportive housing, rapid re-housing, and transitional housing. The City could support a county-led initiative (if available) or leverage county resources for a specific project. This strategy may require a funding source and/or additional staffing to implement.

Funding Sources to Support Residential Development

- ◆ **Urban Renewal/Tax Increment Finance (TIF):** 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. Cities can create a TIF set-aside for affordable housing development programs within designated Urban Renewal Areas for affordable housing projects as an action executed over the next 5 years or so. Wilsonville's Urban Renewal Strategic Plan does not currently explicitly or directly support housing.
- ◆ **Construction Excise Tax (CET):** CET is a tax assessed on construction permits issued by local cities and counties. The tax is assessed as a percent of the value of the improvements for which a permit is sought, unless the project is exempted from the tax. If the City were to adopt a CET, the tax would be up to 1% of the permit value on residential construction and an uncapped rate on commercial and industrial construction. CET funds can be used to pay for a variety of affordable housing programs and incentives. The Equitable Housing Strategic Plan suggested that the City explore CET as a potential funding source to support affordable housing programs.



- ◆ **Local Improvement District:** A special assessment district where property owners are assessed a fee to pay for capital improvements, such as streetscape enhancements, underground utilities, or shared open space. For residential property, the estimated assessment cannot exceed the pre-improvement value of the property based on assessor records. An ordinance must be passed through a public hearing process which must be supported by a majority of affected property owners. This funding source would indirectly support housing development by financing necessary infrastructure or other related costs.
- ◆ **Fees or Other Dedicated Revenue.** Directs user fees into an enterprise fund that provides dedicated revenue to fund specific projects. This approach may be helpful in Town Center for parking. This funding source would indirectly support housing development by financing necessary infrastructure or other related costs.
- ◆ **Reimbursement District.** A Reimbursement District is a cost sharing mechanism, typically initiated by a developer. The purpose is to provide a reimbursement method to the developer of an infrastructure improvement, through fees paid by property owners at the time the property benefits from the improvement. This funding source would indirectly support housing development by financing necessary infrastructure or other related costs.
- ◆ **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.

Actions for Outreach and Education

- ◆ **Fair Housing Education.** Host nonprofit organizations to do outreach and education to tenants about Fair Housing rights and to property owners and managers about Fair Housing obligations.
- ◆ **Community Outreach and Education.** Engage the community to understand housing needs and share existing housing resources, as well as get input on City-lead housing initiatives. This strategy may require additional staff capacity.
- ◆ **Education on Home Ownership Preparation.** Help first-time homebuyers learn the basics about the home buying process in classes taught by experienced professionals who specialize in helping first-time homebuyers. Special topics on HOAs can be included. The City could coordinate with existing organizations such as the Portland Housing Center to facilitate this training or develop its own program. This strategy may require additional staff capacity.



Actions to Support Housing Equity

- ◆ **Implement all Housing Policies through a Lens of Social and Racial Equity.** Develop a social and racial equity and inclusion lens to evaluate all housing policies.
- ◆ **Adopt Affirmatively Furthering Fair Housing as a Housing Policy in Comprehensive Plan.** Amend the comprehensive plan to explicitly make Affirmatively Furthering Fair Housing a Housing Policy.
- ◆ **Accessible Design.** Provide incentives in the development code to increase the number of units designed to meet Universal Design, Lifelong Housing Certification, and other similar standards. This aligns with action 2H from the Equitable Housing Strategic Plan. The Frog Pond East and South Master Plan includes a strategy to require a certain percentage of units be friendly or adaptable for limited mobility. The City may want to build upon those efforts in other areas of the city.
- ◆ **Eviction Prevention Programs.** Eviction Prevention Programs provide financial assistance to help renters facing eviction stay in their homes. These programs are generally designed for families who are being evicted due to nonpayment of rent during or following an unforeseen crisis, such as job loss or serious illness, rather than those who face more persistent affordability challenges. The City could choose to administer an eviction prevention program itself or could provide support to non-profit agencies that provide these services. This strategy would require a funding source and may require additional staffing to implement.

