TUALATIN CITY COUNCIL MEETING

MONDAY, MARCH 13, 2023

TUALATIN CITY SERVICES
10699 SW HERMAN ROAD
TUALATIN, OR 97062

Mayor Frank Bubenik
Council President Valerie Pratt
Councilor Maria Reyes | Councilor Bridget Brooks
Councilor Christen Sacco | Councilor Cyndy Hillier
Councilor Octavio Gonzalez

To the extent possible, the public is encouraged to watch the meeting live on local cable channel 28, or on the City's website.

For those wishing to provide comment during the meeting, there is one opportunity on the agenda: Public Comment. Written statements may be sent in advance of the meeting to Deputy City Recorder Nicole Morris up until 4:30 pm on Monday, August 8. These statements will be included in the official meeting record, but not read during the meeting.

For those who would prefer to make verbal comment, there are two ways to do so: either by speaking in person or entering the meeting using the zoom link and writing your name in chat. As always, public comment is limited to three minutes per person.

Phone: +1 669 900 6833

Meeting ID: 861 2129 3664

Password: 18880

Link: https://us02web.zoom.us/j/86121293664?pwd=SS9XZUZyT3FnMk5rbDVKN2pWbnZ6UT09

Work Session

1. ***5:00 p.m. (45 min) – Update on Tualatin's Strategic and Equitable Housing Funding Plan.*** Staff will provide an update on the work toward developing a Strategic and Equitable Housing Funding Plan, and the next steps towards adoption of the plan.

2. ***5:45 p.m. (45 min) – I-205 Tolling Project Environmental Assessment Overview.*** The 60-day comment period for I-205 tolling is currently open; the City of Tualatin will be submitting comments; staff will provide an overview of the key areas of concern and will present draft comments for consideration.

3. ***6:30 p.m. (30 min) – Council Meeting Agenda Review, Communications, and Roundtable.*** Council will review the agenda for the March 13 City Council meeting and brief the Council on issues of mutual interest.

7:00 P.M. CITY COUNCIL MEETING

Call to Order

Pledge of Allegiance

Announcements

1. Eagle Scout Recognition

2. Tualatin's 2022 Employee of the Year Recognition

3. Arbor Month Proclamation

4. Proclamation Declaring April 2023 as Parkinson's Awareness Month

Public Comment

This section of the agenda allows anyone to address the Council regarding any issue not on the agenda, or to request to have an item removed from the consent agenda. The duration for each individual speaking is limited to 3 minutes. Matters requiring further investigation or detailed answers will be referred to City staff for follow-up and report at a future meeting.

Consent Agenda

The Consent Agenda will be enacted with one vote. The Mayor will ask Councilors if there is anyone who wishes to remove any item from the Consent Agenda for discussion and consideration. If you wish to request an item to be removed from the consent agenda you should do so during the Citizen Comment section of the agenda.

1. Consideration of Approval of the Work Session and Regular Meeting Minutes of February 27, 2023

2. Consideration of **Resolution No. 5677-23** Authorizing Amendment to a Services Agreement with Consor, Inc. (formerly Murraysmith) for the Tualatin Moving Forward Bond Program and Authorizing the City Manager to Execute the Amendment

3. Consideration of **Resolution No. 5678-23** to Exempt Specific Affordable Housing Developments From Property Taxes

Special Reports

1. Tualatin Park Advisory Committee Annual Report

2. Tualatin Moving Forward Quarterly Update

General Business

If you wish to speak on a general business item please fill out a Speaker Request Form and you will be called forward during the appropriate item. The duration for each individual speaking is limited to 3 minutes. Matters requiring further investigation or detailed answers will be referred to City staff for follow-up and report at a future meeting.

1. Consideration of **Ordinance No. 1473-23** Creating the Tualatin Inclusion, Diversity, Equity, and Access (I.D.E.A.) Advisory Committee, and Defining Its Scope of Authority, Duties, and Membership

Items Removed from Consent Agenda

Items removed from the Consent Agenda will be discussed individually at this time. The Mayor may impose a time limit on speakers addressing these issues.

Council Communications

Adjournment

Meeting materials, including agendas, packets, public hearing and public comment guidelines, and Mayor and Councilor bios are available at www.tualatinoregon.gov/council.

Tualatin City Council meets are broadcast live, and recorded, by Tualatin Valley Community Television (TVCTV) Government Access Programming. For more information, contact TVCTV at 503.629.8534 or visit www.tvctv.org/tualatin.

In compliance with the Americans with Disabilities Act, this meeting location is accessible to persons with disabilities. To request accommodations, please contact the City Manager’s Office at 503.691.3011 36 hours in advance of the meeting.

CITY OF TUALATIN
Staff Report

TO: Honorable Mayor and Members of the City Council

THROUGH: Sherilyn Lombos, City Manager

FROM: Steve Koper, AICP, Assistant Community Development Director
Erin Engman, AICP, Senior Planner

DATE: March 13, 2023

SUBJECT:
Update on Tualatin's Strategic Equitable Housing Funding Plan.

BACKGROUND:
In 2021, the City Council adopted a Housing Production Strategy (HPS) which serves as the City's commitment to develop strategies that encourage the production of needed housing, with an emphasis on improving outcomes for underserved communities, people with lower incomes, and people in state and federal protected classes. The state requires cities to evaluate the effectiveness of their adopted strategies and report on implementation progress over a six-year period, as many strategic actions require further analysis, engagement of consultants, amendments to existing standards or programs, and discussions with decision makers.

In 2022, the City of Tualatin was awarded a grant to work with EcoNW to develop a Strategic and Equitable Housing Funding Plan as a next step in achieving the goals set out in the Housing Production Strategy. Staff then held a work session with City Council on October 24, 2022 to introduce the project.

EXECUTIVE SUMMARY:
The Funding Plan studies actions identified in the Housing Production Strategy that could have a significant impact on affordability for low-income households and groups with greater-than-average housing needs in Tualatin.

Most funding for income-restricted housing comes from state and federal sources, while market-rate affordable housing receives less funding from public sources and is typically not financially feasible. This plan will illustrate opportunities to increase market feasibility, with a focus on financial and equity tradeoffs.

The primary approaches that jurisdictions typically take to overcome funding gap obstacles are by:

- Directly contributing local funds
- Reducing costs associated with development (such as permitting fees or system development charges)
- Providing services, such as technical assistance.

The table, on the following page, shows a summary of each of the strategic actions that are being studied and their estimated range of funding in the next five years, either by providing revenue that can be used for housing, forgoing revenue to reduce costs for affordable development, or using funding for targeted programs.

Strategic Action	Population Served	HPS Action	Provides, Forgoes or Requires Revenue?	Estimated Funding Range in 5 Years
Construction Excise Tax	Varies	1.c Evaluate Implementation of a Construction Excise Tax	Provides Funding	$500,000
Urban Renewal	Current and future residents within urban renewal area boundaries	1.d Evaluate Support for Affordable and Workforce Rental Housing as part of Urban Renewal	Provides Funding	$2.5 Million
Nonprofit Low Income Tax Exemption*	Very Low Income (<50%)	1.a Evaluate a Low-Income Housing Property Tax Exemption Program for Affordable Rental Housing	Forgoes Revenue	$90,000 per 100 units
Multiple Unit Property Tax Exemption*	Low Income (50-80%)	4.b Evaluate Using the Multiple Unit Property Tax Exemption to Slow Rental Cost Increases	Forgoes Revenue	$144,000 per 100 units
System Development Charges Exemption*	Extremely- Very Low Income (<50%), or Low Income (50-80%)	1.b Evaluate Changes to Systems Development Charges	Forgoes Revenue	$751,000 per 100 units
Down Payment Assistance**	Moderate Income (80-120%)	2.a Evaluate Impediments to Homeownership and Their Removal	Requires Funding	$250,000 – $1,100,000 per 10 units
Home Rehabilitation **	Moderate Income (80-120%); Seniors or disabled residents	8.a Evaluate Establishing Local Housing Rehabilitation Program	Requires Funding	$750,000 – $500,000 per 10 units

*Funding range for these estimates is for 100 units.
**Funding range for these estimates is for 10 units.

State law includes restrictions that impact two of the strategic actions being studied, as outlined below.

Construction Excise Tax (CET)

- The City may use part of CET revenue to backfill forgone revenue from Multiple Unit Property Tax Exemptions / System Development Charges
- The City may use CET revenue to directly fund homeownership programs like down payment and home rehabilitation assistance

State Requirement ORS 320.195
Residential CET: • 50% must be used for developer incentives • 35% may be used flexibly for affordable housing programs Commercial/Industrial CET: • 50% must be used for housing programs • 50% may be used flexibly

Urban Renewal

- Urban renewal revenue must be used within the boundaries of an active urban renewal area, typically for capital projects
- The City may use urban renewal funds for SDC exemptions or rehabilitation of multifamily buildings
- Providing down payment or home rehabilitation assistance for individual households in the plan area is possible, but limited in scope

State Requirement ORS 457.170
May be used for projects included in area plan's goals, including: • Utilities • Infrastructure • Rehabilitation • Property acquisition • Clearance/rehab of acquired property • Relocation of displaced residents/ property • Selling or leasing property

All of the tools being considered in the funding plan will need future study and buy-in from the public, partners (such as overlapping taxing districts, developers, etc.), and City Council decision before being implemented.

As part of our discussion, we will review the equity tradeoffs of the strategic actions being studied and seek Council direction on the following key considerations:

- How should the City balance supporting development of affordable rental housing and supporting affordable homeownership?
  - What is most efficient?
  - What best fits the City's equity goals?
- Are there additional sources of funding to pay for down payment assistance/home rehabilitation?
  - How much could the City provide per year beyond CET and urban renewal funds?
  - Would it pursue alternative external sources like state or federal funding?
- Is the City willing or able to forgo funds from property tax exemptions (MUPTE) as opposed to backfilling?
  - Would the City want to use the share of CET for developer incentives to backfill MUPTE?
  - Backfilling SDCs?

- How much urban renewal revenue is the City willing to dedicate to housing?
  - Could some of the SCD exemptions be backfilled with funding from the Core Opportunity Reinvestment Area?
  - Could Urban Renewal be used for land acquisition?
  - How could Urban Renewal support homeownership assistance programs?

Next Steps

- March 22: The Project Advisory Committee will meet for the fifth time to review the draft Funding Plan, and staff anticipates they will make a recommendation of support to forward to the Tualatin Planning Commission.
- April 20: Staff will present the draft Funding Plan and Advisory Committee recommendation to the Planning Commission.
- May 22: Staff will report back to City Council with the Funding Plan for consideration and possible adoption.

ATTACHMENTS:

- Attachment A: Presentation
- Attachment B: Advisory Committee Meeting #1 Packet
- Attachment C: Advisory Committee Meeting #2 Packet
- Attachment D: Advisory Committee Meeting #3 Packet
- Attachment E: Advisory Committee Meeting #4 Packet

Tualatin's Strategic Equitable Housing Funding Plan

City Council Session

March 13, 2023

ECONorthwest
ECONOMICS · FINANCE · PLANNING

Tualatin’s Recent Housing Planning Work

Adopted in 2019

Housing Needs Analysis

- Buildable lands inventory
- Housing market
- Demographics & socioeconomic characteristics
- Housing affordability
- Forecast of new housing
- Assessment of land sufficiency

Housing Production Strategy

- Refined understanding of housing need
- Evaluation of gaps in existing policies
- Identification of potential strategies
- Evaluation of new strategies
- Assessment of whether the strategies help achieve fair and equitable outcomes

Adopted in 2021

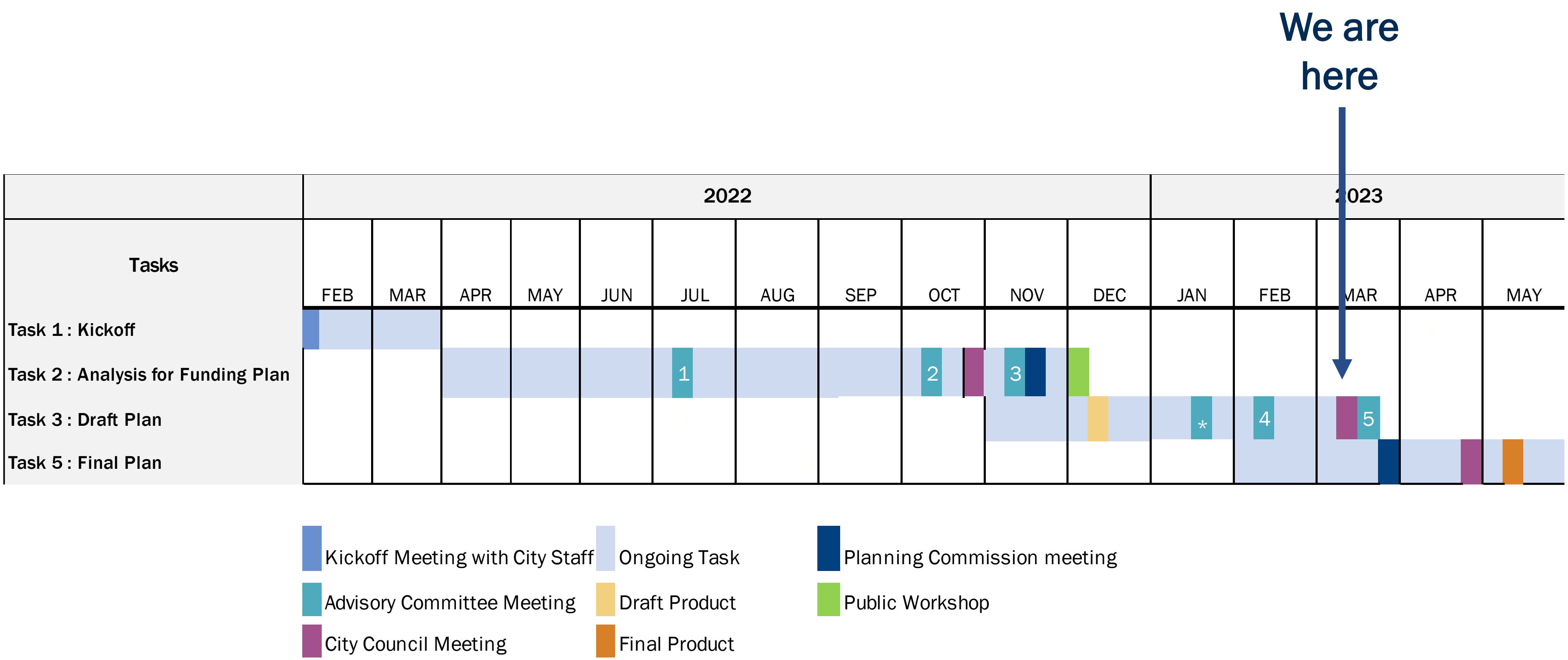
Project Purpose

- The Equitable Funding Action Plan provides next steps towards affordable, fair and equitable housing outcomes
  - Will give guidance for financial and regulatory actions
  - Examines HPS strategic actions that produce funding and those that require funding
  - Focuses on financial and equity tradeoffs of these actions

Outcomes of Tonight's Discussion

- Discuss the actions that could be used to support development of housing affordable to moderate income households
- Equity Considerations
- Fiscal Considerations

Project Schedule and Primary Tasks



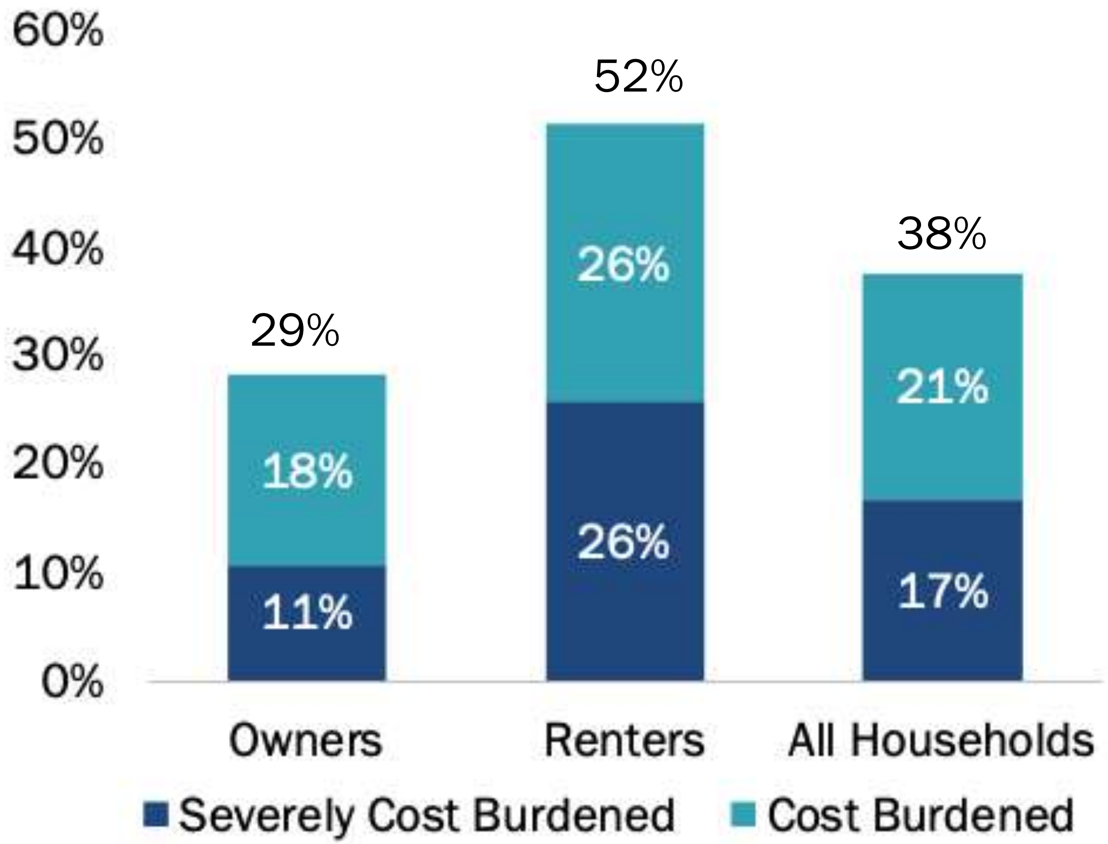
Existing Housing Conditions

Tualatin's Cost Burdened Households

Cost Burden by Tenure, Tualatin, 2016-2020

Cost burdened:
spending more than 30% of income on housing costs

Severely cost burdened:
spending more than 50% of income on housing costs



Source: 2016-2020 American Community Survey, U.S. Census

Targeting Households with Income of 80% or Less of MFI

Source: U.S. Department of HUD 2021. U.S. Census Bureau, 2016-2020 ACS Table 19001.
Note: MFI is Median Family Income for a Family of 4.

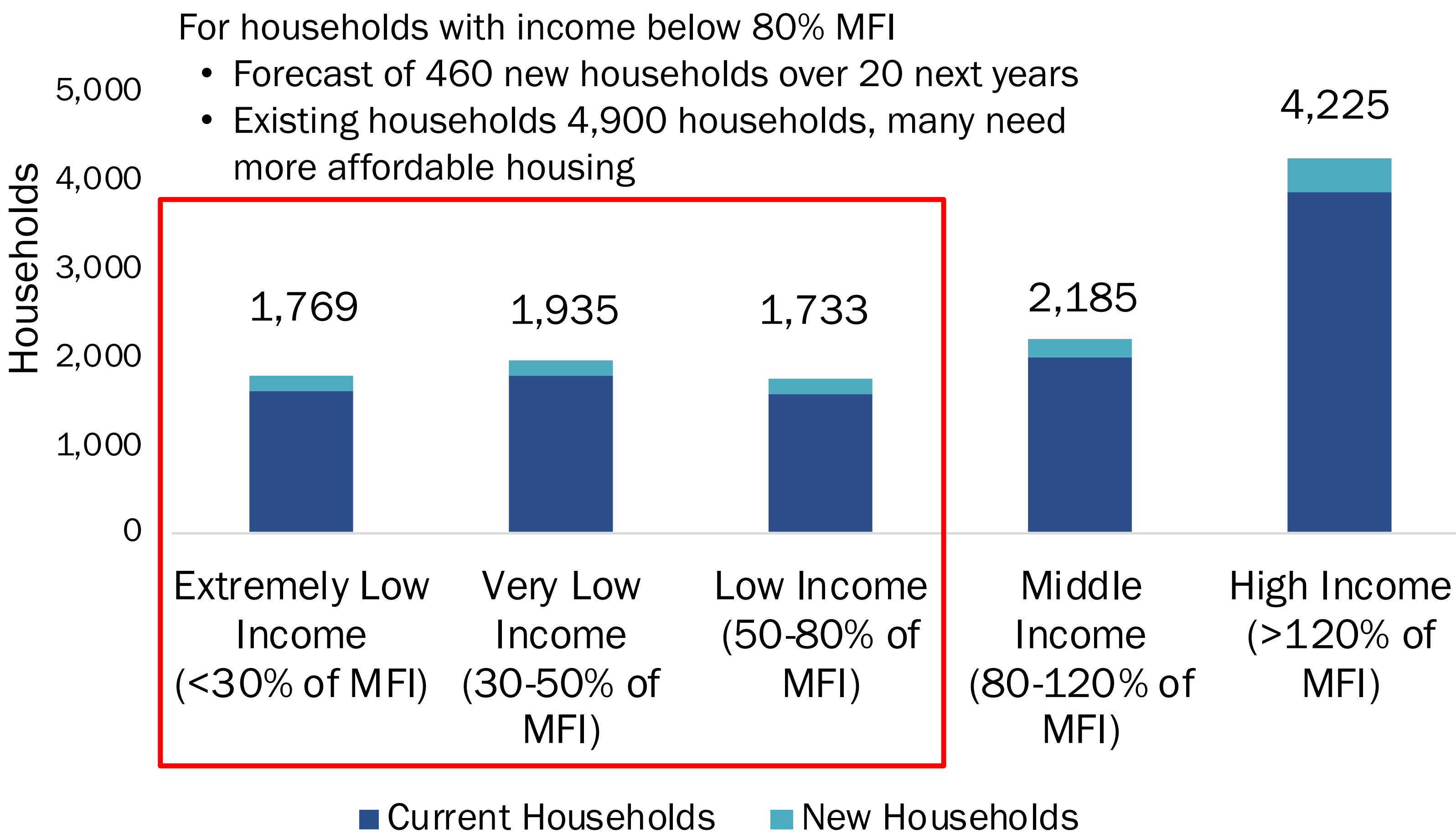
Median Home Sale Price: **$492,000** (Redfin, 2020)

Requires $123,000 income (133% of MFI) to afford

Average Monthly Rent: **$1,334** (not including utilities, 2-bedroom units, (CoStar, 2020))

Assuming $250 per month in utilities (total of about $1,580 in monthly cost), average rental housing costs requires $63,000 income (65% of MFI) to afford)

Tualatin's Current & Future Households by Income



Publicly Subsidized Affordable
0% - 60% MFI

Middle Income / Workforce
60% - 120% MFI

Market Rate
120% + MFI

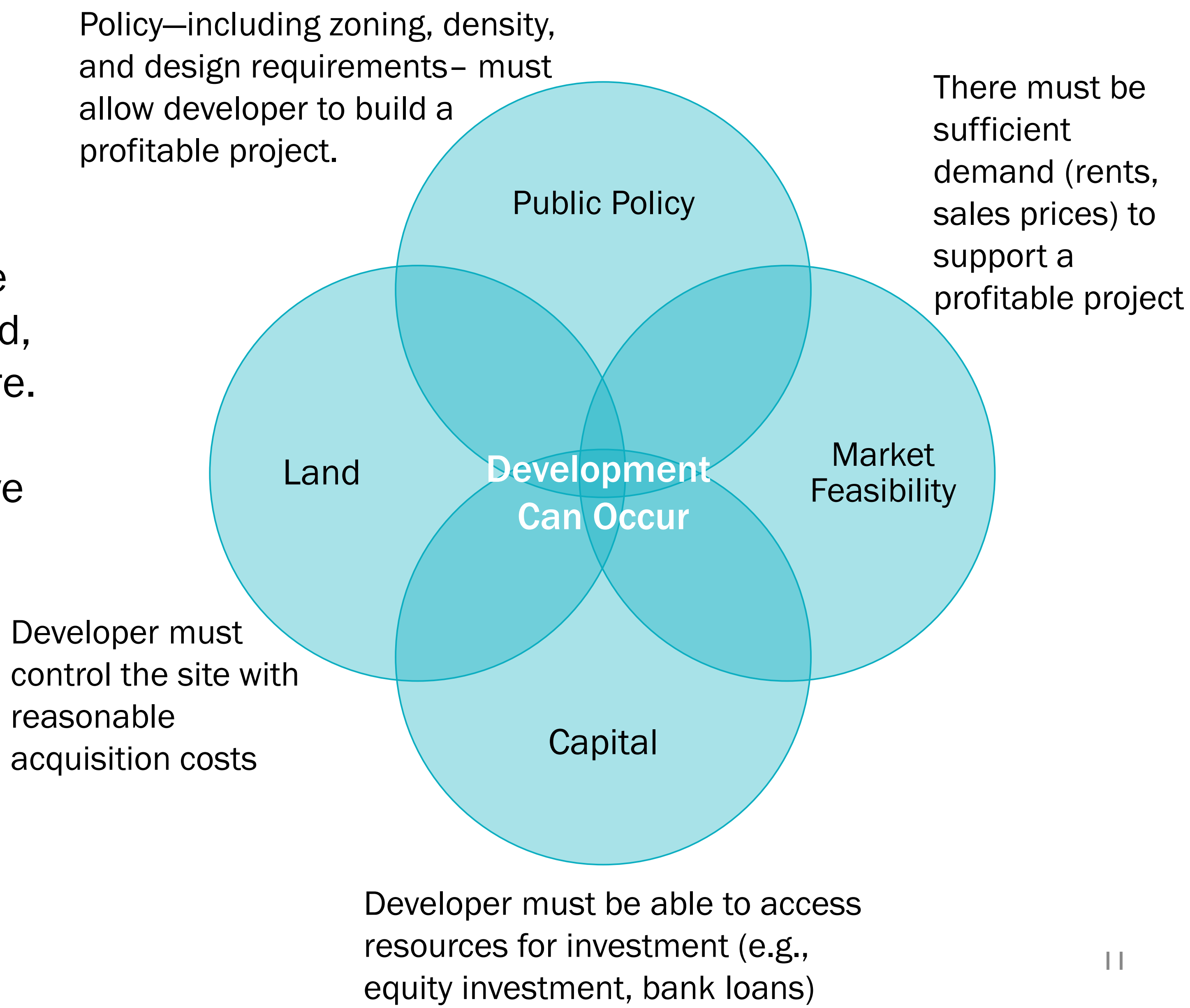
Source: 2014-2018 ACS, U.S. Census; PRC at PSU (2020-2040); and U.S. Department of HUD 2020 MFI.
Note: Median Family Income is estimated for a family of 4.

Funding of Affordable Housing

Factors that Influence Housing Development

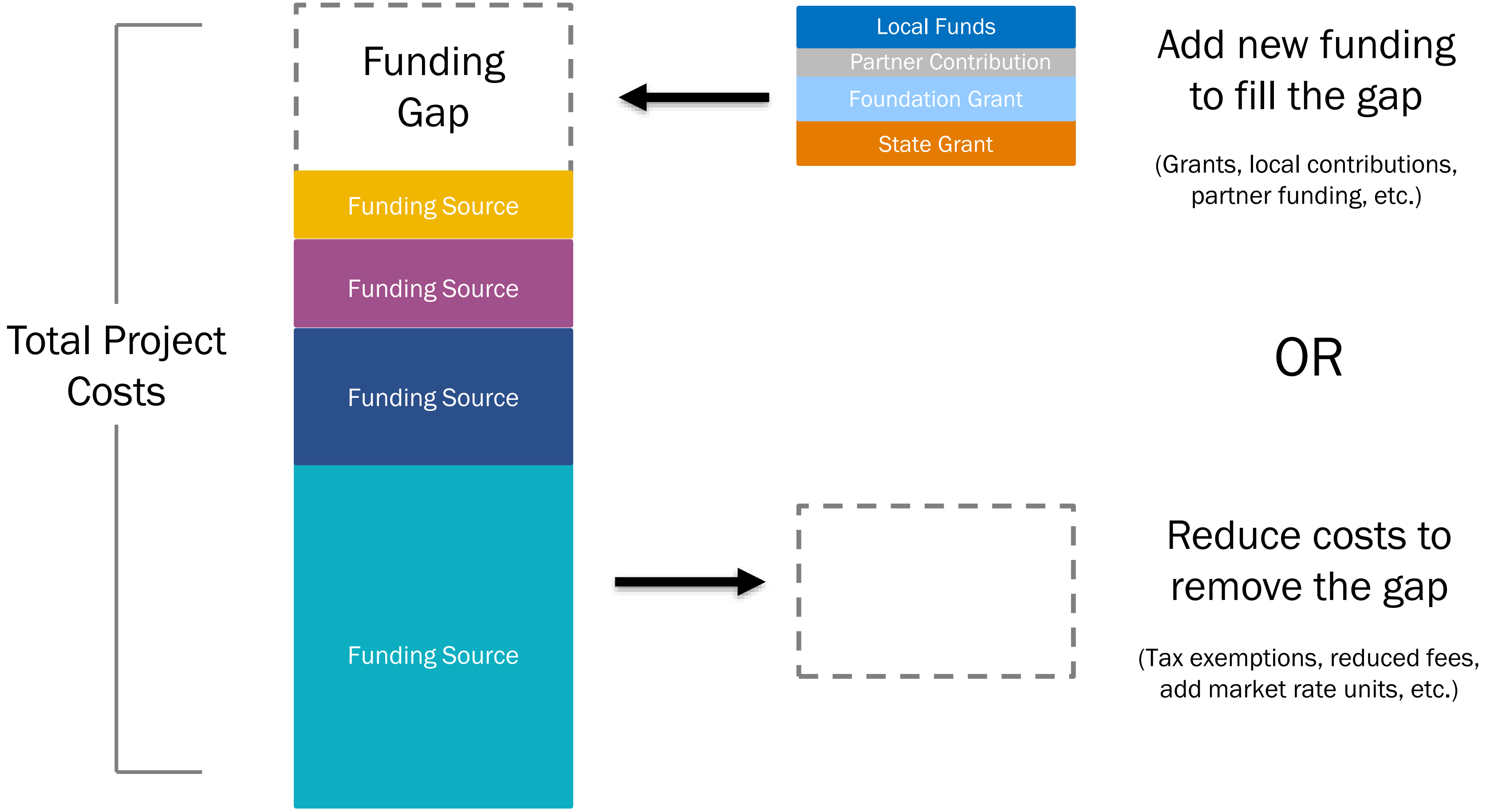
Tualatin can directly influence public policy, land, and infrastructure.

Tualatin may have limited influence on market feasibility



Funding Affordable Housing

Affordable housing often falls short of the funding necessary for new construction. In order to make projects feasible, developers can...



Strategic Actions Considered in this Project

Tool	Adds, Forgoes, or Needs City Revenue?	Income Level Served
Local Construction Excise Tax (CET)	Adds	Mostly 0-60% AMI Possibly 61-80% AMI
Urban Renewal Area Revenue	Adds	0-80% AMI
Nonprofit Low Income Tax Exemption	Forgoes	<60% AMI
Multiple Unit Property Tax Exemption	Forgoes	80% AMI
System Development Charge Exemption	Forgoes	0-80% AMI
Homeownership Assistance	Needs	80% AMI
Other Tools / Affordable Housing Trust Fund	Needs	0-80% AMI

Many HPS Actions are not Considered in this Plan

- Changing to Tualatin’s **development code**
- Exploring opportunities for **added density or redevelopment**
- Supporting **affordable housing development in other ways**
- **Preserving existing** affordable housing
- Evaluating impediments to **Fair Housing** and education about Fair housing
- Evaluating prioritization of **capital improvement (transportation/utilities) programming** to support affordable and workforce housing development

Potential Actions and Impacts

Potential Actions

Construction Excise Tax (CET)	
Adds revenue to the City through new local regulation	**Impact**
• **What does it do:** Levies a tax on new construction to fund housing programs and investments • **How does it work:** Allows cities to collect a 1% tax on permit value of new residential development or higher for commercial/industrial. • **Our findings:** 0.5% to 1% CET on commercial and industrial development may be worthwhile in Tualatin.	• Assumes that the City would pursue a 1% rate for both residential and commercial/industrial CET • Based on historical prices for residential and commercial/ industrial development in the past 5 years • **<u>Estimated</u> $500,000 in revenue over 5 years**

Potential Actions

Urban Renewal Area Revenue	
Adds revenue in a specific area through tax increment financing	**Impact**
• **What does it do:** Provides local funding for capital projects to support URA plan goals (including housing) • **How does it work:** Uses revenue from tax increment financing (TIF) to make public investments • **Our findings:** Tualatin's proposed urban renewal area could integrate goals for housing and access TIF dollars.	• Core Opportunity Reinvestment Area has the most potential to use TIF for affordable housing • Assumes that the City will bond within the first five years of the plan • Based on approximation from conversations with City staff and rough valuation in the plan • **<u>Estimated</u> $2.5 million available for multiple uses in the URA**

Equity Benefits and Challenges

Question: Are we missing key equity benefits or challenges?

	Equity Benefits	Challenges
CET	• Provides flexible revenue that can serve low- and moderate-income households • The City can choose to focus on programs that have specific equitable outcomes	• State statute somewhat limits the options for what can be done with CET funds • Adds cost to market rate units is favor of lowering costs for affordable housing
Urban Renewal	• Can provide funding for housing for low- and moderate-income households • Can provide housing near employment for Tualatin workers	• Building too much housing for low-income populations in URA risks concentrating poverty • Some potential to displace existing residents in the urban renewal area

Potential Actions

Nonprofit Low Income Tax Exemption	
Forgoes revenue to the City for targeted housing type	**Impact**
• **What does it do:** Provides a full property tax exemption for nonprofit owned affordable housing • **How does it work:** Can exempt only city taxes or all taxing districts if at least 51% of the total tax roll agrees to participate. • **Our findings:** Tualatin could exempt its own taxes to incentivize housing affordable to residents at or below 60 percent of area median income	• Our estimates show the City's share of taxes only (about 16.5% of the total tax roll) • Shows the value for 100 new units using the exemption over a period of 5 years • Based on prices of recent affordable multifamily housing developments in Tualatin or Tigard • **Estimated to cost $90,000 for 100 units over 5 years**

Potential Actions

Multiple Unit Property Tax Exemption	
Forgoes revenue to the City for targeted housing type	**Impact**
• **What does it do:** Provides a partial property tax exemption for private developers of mixed-income housing • **How does it work:** Can exempt only city taxes or all taxing districts if at least 51% of the total tax roll agrees to participate. • **Our findings:** If providing an exemption from all districts, MUPTE could create an incentive for private developers to offer units at or below 80 percent of area median income	• Our estimates show the City's share of taxes only (about 16.5% of the total tax roll) • Shows the value for 100 new units using the exemption over a period of 5 years • Assumes that rents will be discounted for 20% of units to 80% AMI level • Based on prices of recent market rate multifamily housing developments in Tualatin or Tigard • **<u>Estimated</u> to cost $144,000 for 100 units over 5 years**

Potential Actions

System Development Charge Exemption	
Forgoes revenue to the City for targeted housing type	**Impact**
• **What does it do:** Reduces upfront development fees for developers who provide new affordable units • **How does it work:** Can exempt City-controlled system development fees for Parks and Water, but not those collected by other service providers • **Our findings:** Tualatin could provide an exemption for its two SDCs but would likely have to backfill the forgone revenue	• Our estimates show the City's SDCs only: Parks and Water (not other service providers like Sewer) • Shows the value for 100 new units total over a period of 5 years • Parks SDC is a flat rate per unit, but Water SDC is dependent on the size of the building's water meter • Water estimate is based on recent multifamily housing developments in Tualatin • **<u>Estimated</u> to cost $751,000 for 100 units over 5 years**

Equity Benefits and Challenges

Question: Are we missing key equity benefits or challenges?

	Equity Benefits	Challenges
SDCs	• Can be used to support development of housing that serves low-income levels (<60% MFI) • Multifamily housing typically serves more households for a lower cost per unit (also applies for tax exemptions)	• Forgoes revenue for infrastructure which must be backfilled from other sources of funding
Nonprofit /MUPTE	• Can provide funding for housing for low- and moderate-income households • Nonprofits may provide additional services along with housing • Local contributions can attract more affordable housing developers and reduce permanent debt	• Forgoes revenue which could be used for other citywide programs and operations • Limited time frame for program applicability for MUPTE (10 years), after which rents would likely increase to market rate

Potential Actions

Down Payment Assistance	Home Rehabilitation Programs
Provides funding to support first-time home buyers	**Provides funding to stabilize existing residents**
• Shows the value for down payment support on **10 homes** per year over a period of **5 years** • Uses similar nearby programs in Oregon for comparison, including regional variation likely due to differing housing prices and funding opportunities <u>Impact</u> • **Estimated to cost $250,000 to $1,100,000 for 10 units, depending on subsidy granted**	• Shows the value for home rehabilitation projects for **10 homes** per year over a period of **5 years** • Uses similar programs in Oregon for comparison, including a wide variation in cost by the type of home rehabilitation program (repairs, weatherization, etc.) <u>Impact</u> • **Estimated to cost $750,000 to $500,000 for 10 units, depending on subsidy granted**

Equity Benefits and Challenges

Question: Are we missing key equity benefits or challenges?

	Equity Benefits	Challenges
Down Payment	• Can benefit households who have been historically excluded from homeownership • Allows households to build intergenerational wealth through home equity	• Higher cost per household means that assistance serves relatively fewer people • Households must still meet other requirements (credit score, debt-to-income ratio, etc.)
Home Rehab	• Benefits existing low-income homeowners in Tualatin and ensures longer term stability • Can provide resources for disabled residents and seniors to make accessibility improvements	• Cost per household varies by type of assistance (higher for more extensive repairs) • Limited funding creates questions around who receives assistance.

Summary

Tool	Population Served	Provides, Forgoes or Requires Revenue?	Estimated Funding Range	
			5 Years	20 Years
Construction Excise Tax	Moderate Income and lower-income households	**Provides Funding**	$251,000-502,000	$832,000-$1,664,000
Urban Renewal	Current and future residents within urban renewal area	**Provides Funding**	$2.5 million	$2.5 million
Nonprofit Low Income Tax Exemption	Extremely and Very Low Income (<50%)	**Forgoes Revenue**	$90,000[1] per 100 units	$360,000 per 100 units
Multiple Unit Property Tax Exemption	Low Income (50-80%)	**Forgoes Revenue**	$144,000[2] per 100 units	$287,800 per 100 units[3]
System Development Charges Exemption	Extremely and Very Low Income (<50%) or Low Income (50-80%)	**Forgoes Revenue**	$751,400 per 100 units	$3,005,600 per 400 units[4]
Down Payment Assistance	Moderate Income (80-120%) Seniors or disabled residents	**Requires Funding**	$250,000 - $1,100,000 per 10 units	$1,250,000-4,400,000 per 40 units
Home Rehabilitation	Moderate Income (80-120%)	**Requires Funding**	$75,000 - $500,000 per 10 units	$300,000 - $2,000,000 per 40 units

Questions to be Answered

Tualatin's potential funding sources are not sufficient to fund all of these actions

- CET, if adopted, <u>may</u> result in $500,000 in revenue in the first 5 years. How should it be used?
  - <u>Option</u>: Predominantly to backfill the costs of forgone SDCs and property tax revenues from MUPTE?
  - <u>Option</u>: Supporting housing rehabilitation and/or down payment assistance?
- How should Urban Renewal funds be spent?
  - <u>Option</u>: Backfilling forgone SCDs in the URA?
  - <u>Option</u>: Support for housing rehabilitation and/or down payment assistance limited to the Core Opportunity Reinvestment Area?

Other Potential Funding Sources

Sources with more potential

- Private donations & gifts
- Grants from the state or federal government
- General Fund revenue

Source that are less available or not available

- Lodging Tax increase
- Marijuana tax increase
- Real estate transfer tax
- Second home tax

Potential funding source, unlikely to be supported

- Tualatin-specific General Obligation Bond
- Local Option Levy
- Business license fee
- Food and beverage tax
- Sales tax
- Payroll/business income tax

Recommendations for Building in Equity

- Additional opportunities for building equity into the implementation of the HPS:
  - If the City establishes revenue sources for affordable housing (ex: CET and/or urban renewal fund), then it could establish an Oversight Committee:
    - Membership of the oversight committee could ensure representation from underrepresented groups
    - Compensating committee members for their participation would allow people of diverse backgrounds to participate
  - Partnership with nonprofits who provide specific types of support (ex. Culturally specific outreach)
  - *Others?*

Questions and Discussion

- Questions?

- Next steps
  - Finish drafting the Equitable Housing Funding Plan document
  - March 22: Final meeting with Advisory Committee
  - April 20: Planning Commission meeting
  - May 22: City Council meeting

AGENDA

Tualatin Housing Implementation Plan: Strategic Equitable Housing Funding Plan Advisory Committee Meeting

7/20/2022

5:30 – 5:45 PM	**Introductions and Roles**

5:45 – 6:15 PM	**Goals and Expectations of the Housing Implementation Plan**
	▪ What has already been done
	▪ What the purpose of the study is and how it helps move the process forward
	▪ What lived experiences and priorities do committee members have related to the project?
	▪ Review and update on the Housing Production Strategy
	  o Basis for research
	  o Findings
	  o Recommended next steps

6:15 – 6:50 PM	**Discussion of Construction Excise Tax (CET)** ▪ Presentation ▪ Discussion
6:50 – 7:25 PM	**Discussion of the Nonprofit Low-Income Rental Housing Exemption** ▪ Presentation ▪ Discussion
7:25-7:30 PM	**Next Steps**

DATE: July 14, 2022
TO: Tualatin HIP Advisory Committee
FROM: ECONorthwest
SUBJECT: Housing Implementation Plan: Background and Strategies Overview (Meeting #1)

This memo is intended to summarize the housing production strategy (HPS) for the City of Tualatin completed by ECONorthwest in 2021 and outline areas of focus for the current housing implementation plan (HIP).

Summary of Tualatin Housing Production Strategy

The housing production strategy includes goals and strategic actions to work together to achieve equitable outcomes for all residents of Tualatin, with an emphasis on improving outcomes for underserved communities, people with lower incomes, and people in state and federal protected classes.

The HPS addresses the housing needs identified in the Tualatin Housing Needs Analysis (HNA) in 2019, which concluded that Tualatin has very limited land to accommodate future housing growth and that housing needs are changing as a result of demographic changes and need for affordable housing. Specifically, the HNA concluded:

- **Tualatin is forecasted to increase its housing by about 1,014 new dwelling units between 2020 and 2040.**
- **Changes in demographic characteristics will drive need for new housing.** The HNA forecast that Tualatin would need more attached and multifamily housing in the future than the current housing stock provides. The factors driving the shift in types of housing needed in Tualatin include changes in demographics, such as growing senior populations, and the household formation of young adults.

  Tualatin has an existing deficit of housing that is affordable to low and moderate-income households and is likely to have similar future deficits. Tualatin's existing deficit of housing to meet the needs of extremely low to low-income households indicates a need for subsidized affordable housing for renters and affordable homeownership. Moderate income households may benefit from a wider range of housing types, but housing types alone do not necessarily bring the cost down for renters or homeowners. Without the types of solutions proposed in this report, lack of affordability will continue to be a problem and will possibly grow, in the future, if incomes continue to grow at a slower rate than housing costs.
- **Tualatin has a limited amount of vacant, unconstrained buildable residential land, particularly for higher-density multifamily housing.** Tualatin has about 244 acres of vacant, unconstrained buildable land. About 64% of vacant land is in Low Density Residential, 29% is in Medium Low Density Residential, and 8% of land in areas that allow higher-density multifamily housing such as Medium High Density, High Density, High Density High-Rise, and commercial area.

- **Tualatin cannot accommodate all of its housing needs on existing vacant land.** Tualatin has a land deficit of Medium High Density and High Density High Rise Plan Designations, of 7 acres and 4 acres respectively.

The HPS establishes a framework for the evaluation and potential development of policies and strategic actions that address the housing needs described above over a six-year period. Key findings of the HPS are that Tualatin needs:

- **Increased housing diversity.** Nearly two-thirds of Tualatin's housing stock is single-family detached housing. The City's demographic and socioeconomic characteristics suggest a need for a wide variety of housing types to meet the needs of a growing and diverse pool of existing and future residents.
- **Greater housing affordability and availability for homeowners.** Tualatin's homeownership stayed static from 2000 to 2017 at about 55%, however, it was lower than Washington County's (61%) and the Portland Region's (60%) homeownership rate. These statistics highlight a potential need for greater homeownership opportunities as homeownership continues to be one of the most effective (and primary ways) for households and individuals to build wealth.
- **Greater housing affordability and availability for renters.** Competition for lower-priced affordable units in Tualatin is strong. Many cannot afford market rate rents or housing sales prices without cost burdening themselves. In the 2013-2017 period, about 56% of Tualatin's renters were cost burdened, with 26% severely cost burdened.[1] Renters, especially those with lower incomes, are at risk of being displaced through increases in rental costs.
- **Increased income-restricted regulated, emergency, and supportive housing.** Tualatin lacks affordable housing units based on need. There are approximately 1,753 households experiencing severe housing cost burden in the city and 604 rent-restricted affordable housing units (accounting for about 5% of Tualatin's housing stock). Washington County has about 530 people experiencing homelessness, about 300 of whom are unsheltered. About 44 people experiencing homelessness are estimated to live in the Tualatin and Tigard area.
- **Need for housing for people to live and work in Tualatin.** Tualatin's Economic Opportunities Analysis report (December 2019) reported that 93% of people working in Tualatin lived in another community (such as Portland, Tigard, Beaverton, or Hillsboro) and commuted into Tualatin each day. Some people who work in Tualatin can afford rent or homeownership in Tualatin, but some would be cost burdened in Tualatin.

[1] A household is said to be cost burdened if they spend 30% or more of their gross income on housing costs. A household is said to be severely cost burdened if they spend 50% or more of their gross income on housing costs.

The HPS finds disproportionate housing needs for seniors, people of color, people with one or more disabilities, and people experiencing homelessness. Washington County's Consolidated Plan identifies all of these groups as a priority with special housing needs. The following groups have greater-than-average housing needs:

- **Seniors.** People 65 years of age and older are disproportionally cost burdened compared to the average household—many living on fixed incomes in a region with increasing housing costs. Over the next twenty years, people over 65 years are expected to be the fastest-growing age group. As this group grows, Tualatin will need more housing that is affordable, physically accessible, and in proximity to needed services (such as nearby health care or in-home assistance). Seniors will also need improved access to housing without discrimination, especially seniors of color.
- **People of color.** About 25% of Tualatin's population identified as a person of color, who are more likely to be cost burdened when compared to the average household. Broadly, the housing needs for many people of color in Tualatin include improved access to affordable housing units, assistance to avoid displacement, access to housing in locations with "high opportunity" (such as areas near jobs, transit, or services), and access to housing without discrimination.
- **People with disabilities.** Across the Portland Region, people with one or more disabilities experience disproportionate cost burden. Housing needs of people with one or more disabilities vary by type of disability. But in general, housing needs include improved access to an affordable unit, improved physical access to housing units, access to housing with needed services, and access to housing without discrimination.
- **People experiencing homelessness.** People experiencing homelessness are disproportionately affected by the lack of affordable housing. Housing needs for people experiencing homelessness vary by reason for homelessness. In Washington County, the primary reason cited for experiencing homelessness was inability to afford housing. The broad housing needs for this group include the need for immediate assistance (e.g., rent support), permanent supportive housing (with services), and improved access to an affordable unit.

Summary of Goals and Strategic Actions from HPS

The HPS presents goals and strategic actions to address the housing needs described above. Implementation of the HPS is expected to occur over a six-year period. Each strategic action requires further consideration, such as additional analysis, engagement of consultants, changes to existing standards or programs, discussions with decision makers, or public hearings. The City may be unable to or not chose to implement some strategic actions because of new information that arises from a detailed evaluation of the specifics of each strategic action. In that case, the City may identify a different action (or actions) to meet the specific housing need addressed by the strategic action.

Exhibit 1 presents a summary of the goals and strategic actions from the HPS that will be more closely considered as part of this project, the Strategic Equitable Housing Funding Plan. The following information is from the HPS report and includes the following information:

- **Goal or strategic action.** This is either the text of the goal or a short summary of the strategic action.
- **Incomes of populations served by each strategic action.** Income is based on Median Family Income (MFI) as defined by the US Department of Housing and Urban Services (HUD) for Washington County. The example below is for a family of four people. The HUD terms used to describe housing by income group are:
  - Extremely Low Income: Less than 30% MFI, $28,000 or less for a family of four
  - Very Low Income: 31% to 50% of MFI, $28,000 to $46,000 for a family of four
  - Low Income: 51% to 80% of MFI, $46,000 to $74,000 for a family of four
  - Moderate Income: 81% to 120% of MFI, $74,000 to $110,000 for a family of four
  - High Income: 121% of MFI or more, $110,000 or more for a family of four
- **Potential magnitude of the action for producing new housing.** This is an estimate of the amount of new housing that may be produced over the six-year period as a result of each strategic action. The magnitudes of impact are:
  - A **low** magnitude is anticipated production of 1% or less of the needed new units (1,014 units) or about 10 dwelling units over the six-year period. A low magnitude does not mean a strategic action is unimportant. Some strategic actions are necessary but not sufficient to produce new housing.
  - A **moderate** magnitude is anticipated production of 1% to 5% of the needed new units (1,014 units) or about 10 to 50 dwelling units over the six-year period.
  - A **high** magnitude is anticipated production of 5% or more of the needed new units (1,014 units) or 50 or more dwelling units over the six-year period.
- **Expected year of adoption.** The HPS will be implemented over a six-year period. Each strategic action will be evaluated, and if the City chooses to implement it, then it would be adopted or would have some other official acknowledgement that the City is going to execute the strategic action.

Areas of Focus for Housing Implementation Plan (HIP)

This analysis is only considering a limited number of strategic actions from the HPS, including strategic actions related to actions that will require funding (such as development incentives) or actions that will provide funding (such as a Construction Excise Tax). The actions under consideration are shown in the table below.

Goal and Strategic Actions	Income Levels Served (MFI)	Magnitude of Impact	Expected Year of Adoption
1. Affordable Housing: Strongly prioritize, encourage, and support affordable rental housing development to increase affordable housing for households earning 0-60% Median Family Income.			
1.a Evaluate a Low-Income Housing Property Tax Exemption Program for Affordable Rental Housing	0-60%	Moderate	2023
1.b Evaluate Changes to Systems Development Charges	0-80%	Low	2026
1.c Evaluate Implementation of a Construction Excise Tax (CET)	Mostly 0-60% Possibly 61-80%	Moderate	2025
1.d Evaluate Support for Affordable and Workforce Rental Housing as part of Urban Renewal	0-80%	Moderate to large	2022
1.e Evaluate Financial Resources for Local Contributions to Affordable Housing Development	0-60%	Moderate	2026
4. Preservation of Naturally Occurring Affordable Housing (NOAH): Preserve naturally occurring affordable housing, where possible, to prevent loss of affordable units and to mitigate resident displacement.			
4.a Evaluate Development of Incentives to Preserve Low-Cost Rentals for Below-Market-Rate Privately Owned Rental Housing	0-80%	Moderate	2026
4.b Evaluate Using the Multiple Unit Property Tax Exemption to Slow Rental Cost Increases	0-80%	Moderate	2026
6. Workforce Housing: Encourage, plan for, and support the development of workforce housing for households earning 61-80% Median Family Income for both owner and renter, in order to increase the jobs-housing balance, reduce commute time, and provide attainable housing for workers in Tualatin.			
6.a Evaluate Ways to Incentivize Inclusion of Workforce Housing Units within New Multifamily Rental Development	61-80%	Moderate	2026
8. Housing Rehabilitation: Plan for and support housing programs and initiatives that are responsive to the safety and health needs of households earning 0-80% of Median Family Income.			
8.a Evaluate Establishing Local Housing Rehabilitation Program	0-80%	Low to moderate	2026

1.a	Evaluate a Low-Income Housing Property Tax Exemption Program for Affordable Rental Housing

Description	Type of Action
Evaluate a property tax exemption program for affordable rental housing. Two tax exemptions programs could be used to support affordable housing: ▪ **Low-Income Rental Housing Exemption:** Would provide a 20-year, renewable property tax exemption for rental housing for low-income households (60% of area median income and below). Housing need not be owned or operated by a nonprofit entity; if it is not, only housing built after the program is adopted is eligible. The exemption could also apply to land held for future affordable housing development. Only the City's taxes would be exempted unless there is sufficient support from overlapping taxing districts. Requires that savings be passed on to tenants through rent reductions. ▪ **Nonprofit Low-Income Rental Housing Exemption:** Would provide a full property tax exemption for new and existing affordable housing owned and operated by a nonprofit organization for as long as the property meets eligibility criteria. Tenants must initially qualify at 60% of area median income or below, but once qualified, existing tenant incomes may rise to as much as 80% of area median income over time. The exemption could also apply to land held by a nonprofit for future affordable housing development. Only the City's taxes would be exempted unless there is sufficient support from overlapping taxing districts. The evaluation would include a conclusion as to which of the two available options under state statute is better suited to the needs of housing providers in Tualatin.	Adopt a Tax Exemption to Reduce Ongoing Charges on Development

Rationale	With very thin margins for rents in affordable housing developments to be able to cover operating costs (even with subsidies), eliminating the cost of property taxes is an important way to improve the viability of affordable housing. Affordable housing providers sometimes use alternative means to secure tax exemptions (e.g., partnership with the local Housing Authority), but the alternatives add complexity to an already complex process. A locally enabled tax

	exemption also demonstrates local support for affordable housing development, which can help with securing state and federal funds.
Anticipated Impact	▪ **Populations served:** Extremely low income, very low–income, and low-income renter households ▪ **Income:** 0-60% of Median Family Income ▪ **Housing tenure:** Rental ▪ **Potential Benefit:** - **Housing Production (new units).** If this incentive were used for one to two apartment buildings at 50 to 150 units each, this strategy could contribute to development of 50 to 300 affordable units. - **Equitable Outcomes:** This is an opportunity to provide equitable housing for low-income households by serving, for example, underserved communities, people with disabilities, and people with special needs, increasing diversity in neighborhoods. ▪ **Potential Financial Impact:** The City will forgo some property tax income for these properties for the duration of the exemption. This reduces some revenue for city services and some revenue for participating taxing districts. ▪ **Magnitude:** Moderate
Implementation Steps	▪ Evaluate viability of adoption, including an analysis of the pros and cons of the two tax exemptions. ▪ Seek input from overlapping taxing districts on their willingness to support the exemption. ▪ Discuss topic with City Council at work sessions and in public hearings. City Council may choose to adopt exemption by resolution or ordinance following a public hearing. ▪ Follow up with overlapping taxing districts to request that they pass resolutions to support the exemption. ▪ If supported, select one of the tax exemptions for adoption.
Lead Agency and Potential Partners	▪ **Lead Agency:** City of Tualatin Planning Division and City of Tualatin Finance Department ▪ **Partners:** Overlapping Taxing Districts
Funding or Revenue Implications	Tax exemptions reduce general fund revenues for all overlapping taxing districts, including the City.

1.b	Evaluate Changes to Systems Development Charges

Description	Type of Action
Evaluate options for potential changes to System Development Charges (SDCs) and Transportation Development Tax (TDT) to support development of affordable housing. ▪ **SDCs** are fees collected when new development and some redevelopment occurs within the City. Revenues are used to fund growth-related capital improvements. ▪ **TDT** is a voter-approved charge imposed on new development and redevelopment within Washington County (including its cities) to help pay for the impact development has on the transportation system. The City of Tualatin has limited control over SDCs because most are collected on behalf of other service districts and providers, who determine the rates and rate structures. The parks and water SDCs are set by the City. The primary opportunity for changes to SDC is with the parks SDC, which recently went through a review and update process. The water SDC is based on meter size, which makes meaningful changes in SDCs challenging, especially for multiunit projects. Tualatin does not have control over the rate or rate structure for Washington County's TDT, though the City does receive a share of the revenue. The City of Tualatin could evaluate changes to its parks and water SDCs by reducing, deferring, and/or financing SDCs at a low interest rate for regulated affordable housing or other needed housing types.	Evaluate Change to Fee Schedules to Reduce Charges on Development

Rationale	Changes to the City's parks or water SDC rates or methodology could reduce up-front costs for developers of regulated affordable housing and/or encourage specific types of housing development (e.g., smaller units).
Anticipated Impact	▪ **Populations served:** Extremely low income, very low–income, and low-income renter households ▪ Extremely low, very low, and low-income owner households ▪ **Income:** 0-80% of Median Family Income ▪ **Housing tenure:** Owner and Renter

	▪ **Potential Benefit:** - **Housing Production (new units):** Tualatin can have an impact on its parks and water SDCs and can backfill the costs to County TDTs. - While reducing parks or water SDCs could provide some support for affordable housing development, on its own this action is unlikely to directly result in development of new affordable housing, but it may serve to attract affordable housing developers to Tualatin with this cost reduction. - **Equitable Outcomes:** Providing **i**ncentives like SDC reductions supports the development of equitable housing. ▪ **Potential Financial Impact:** The City will likely need to make up revenue forgone through the changes to SDCs, such as by backfilling with TDTs. ▪ **Magnitude:** Low
Implementation Steps	▪ Evaluate options for deferral or financing of parks or water SDCs for affordable housing under the existing methodology, working with current planning and finance divisions. ▪ At the next update to the parks or water SDC methodology, evaluate options to offer full or partial exemptions for affordable housing and/or to adjust the residential rate structure to offer lower rates for smaller units.
Lead Agency and Potential Partners	▪ **Lead Agency** City of Tualatin Parks and Recreation Department, City of Tualatin Finance Department, and City of Tualatin Planning Division.
Funding or Revenue Implications	Changes may reduce or delay SDC revenue to the City.

1.c Evaluate Implementation of a Construction Excise Tax

Description	Type of Action
Evaluate a Construction Excise Tax (CET), a tax assessed on new development and expansions as a percent of the permit value.	Establish a CET to Allocate Funding

State statute defines the allowed uses of CET funds and the allowed maximum tax rate. The City of Tualatin could levy a CET on commercial, industrial, and/or residential development. Tualatin has limited land for new residential development within City limits at present; however, revenues from a CET levied on commercial or industrial development could be used for housing programs. At least half of the revenue from a CET on commercial and industrial development would need to be used for local housing programs (capital or programmatic services), but the other half is unrestricted (capital or programmatic services); revenue from a CET on housing would need to go toward housing, with certain percentages toward various specific categories of expenditures. At least eight jurisdictions in Oregon have adopted a CET to fund affordable housing. Most are using or plan to use the revenues to offer grants and/or loans as flexible gap financing for affordable housing development. While it can be used to pay for services, capacity building, etc., the variable nature of the revenues makes it challenging to fund ongoing commitments.	
Rationale	CET is one of few options to generate locally controlled funding for affordable housing and could be implemented without a public vote. Industrial development has been strong in Tualatin in recent years. If this continues, a CET on commercial and industrial development could potentially generate enough revenue to allow the City to fund some of its other equitable housing and related strategies.
Anticipated Impact	▪ **Populations served:** Depends on how revenue is used, but would be for extremely low, very low, and low-income and underserved communities. ▪ **Income:** Depends on how revenue is used, but most likely directed toward 0-60% of Median Family Income, however, could be used to meet other income groups, such as contribution to homeownership for households at 61-80% of Median Family Income. ▪ **Housing tenure:** Renter or owner ▪ **Potential Benefit:** - **Housing Production (new units):** Based on analysis by ECONorthwest, a 0.5-1% CET on commercial and industrial development could generate roughly $200,000-400,000 per year. While this would cover the full cost of only a few units of

	affordable housing per year, it could pay for SDCs and TDT on roughly 100 units per year. If used as gap financing, it could potentially contribute to funding one or two affordable housing developments per year. - **Equitable Outcomes:** Developing funding sources like CET can support equitable housing programs and development, such as affordable housing and workforce housing. ▪ **Potential Financial Impact:** Homebuyers and businesses that pay the CET will have slightly higher costs for their homes and for commercial or industrial development. The increase in home prices will not exceed 1% as a result of the CET and may be smaller if the City establishes a CET below 1%. ▪ **Magnitude:** Moderate
Implementation Steps	▪ Evaluate potential approach. Include projections on potential revenue and what programmatic goals could be accomplished with revenue. Include SWOT analysis for both residential and commercial/industrial. ▪ Engage with developers, major employers, and the business community in Tualatin to evaluate tolerance for a CET on commercial and industrial development and where there are shared interests in supporting local housing production. ▪ Seek direction on whether to proceed with adoption from City Council at work sessions. ▪ Tualatin City Council could impose the CET by adoption of an ordinance or resolution that conforms to the requirements of ORS 320.192–ORS 320.195. ▪ If directed, create a plan for the use of CET funds.
Lead Agency and Potential Partners	▪ **Lead Agency:** City of Tualatin Planning Division and City of Tualatin Finance Department ▪ **Partners:** Local developers, Chamber of Commerce, major employers, and the Tualatin business community
Funding or Revenue Implications	Adopting a CET would provide funding for other strategies. ECONorthwest conducted a preliminary estimate of CET revenue via a backward-looking analysis using the City of Tualatin's permit database for new residential and commercial/industrial construction from the last five years. The results of this analysis are summarized in Appendix B.

	Because a percentage (4%) of the revenue can be applied to the City's costs for administering the program, there should be minimal additional cost for the City.

1.d Evaluate Support for Affordable and Workforce Rental Housing as Part of Urban Renewal

Description	Type of Action
Evaluate the potential to specifically identify affordable housing (for instance, housing affordable at 0-60% of MFI and workforce affordable housing at 61-80% of MFI) as a goal of existing or future Urban Renewal Plans. As applicable, identify specific affordable housing programs, projects, and/or supportive infrastructure to be included with urban renewal plan(s). TIF funding for affordable housing or other equitable housing would need to gain approval through the City's Urban Renewal process and be consistent with the State Oregon Revised Statute (ORS) 457. TIF (for urban renewal districts) is used as a way to make strategic public investments that spur development in areas where it might not otherwise occur. When successful, the new development leads to an increase in property value and property tax revenue. The increment of new tax revenue from within the district (from the time the district is established) is captured and used to pay off bonds (or directly pay) for the public investments in the area. When the bonds are paid off, the entire valuation of the district is returned to the general property tax rolls. While regulated affordable housing is often tax exempt and does not generate additional tax revenue, some jurisdictions allocate a portion of TIF revenues to fund affordable housing to support equitable development within the TIF district. TIF can be invested in the form of low interest loans and/or grants for housing projects or a variety of capital investments. **Additional Context:** The City of Tualatin is in the process of evaluating two potential new TIF districts: (District 1) the Basalt Creek and Southwest Industrial Area and (District 2) the North Study Area, Bridgeport Village, Town Commons, I-5 Corridor and Tualatin-	Evaluate Affordable Housing Support as Part of Urban Renewal

Sherwood Road. The City also recently modified plans for an existing district (Leveton). While much of the land included in these areas is planned for industrial and commercial use, portions of the potential new districts are planned for residential or mixed-use development. These could be appropriate locations for new affordable housing rehabilitation or mixed-income housing. District 1 potential total TIF revenue over 30 years is estimated to be between $28.4 million and $55.5 million, depending on future growth in assessed value in the area. District 2 potential total TIF revenue over 30 years is estimated to be between $248.2 million and $362.7 million, depending on future growth in assessed value in the area. District 1 is slated to be established in fall of 2021 and District 2 in approximately two years. In determining the resources for affordable housing from TIF, the City would want to consider the specific housing needs of each district. TIF funding for District 1 may be focused more on infrastructure funding to pay for infrastructure needed to support new development. For District 2, the amount of TIF used for housing could be a larger share of TIF funding, as this district may be focused on housing redevelopment.		
Rationale	TIF is one of few available locally controlled sources of funding to build or improve housing. In addition, investing a share of TIF revenues into affordable or mixed-income housing within an area that is a focus for local investment helps support inclusive and equitable housing development in that area.	
Anticipated Impact	▪ **Populations served:** Extremely low income, very low–income, low-income, and moderate-income households ▪ **Income:** 0-80% of Median Family Income ▪ **Housing tenure:** Renter or Owner ▪ **Potential Benefits:** - **Housing Production (new units):** Urban renewal TIF is the largest source of funding over time that could be made available for affordable housing development. The amount of housing production depends on the funds raised and allotted through urban renewal. TIF can only be spent on capital projects, not operations. - **Equitable Outcomes:** Establishing TIF funding for equitable	

	housing may have the greatest impact over time of any single funding sources on equitable housing development in the city to be used to develop affordable housing, workforce housing, mixed-use housing, and mixed-income housing and related infrastructure. ▪ **Potential Financial Impact:** The financial impacts of a URA are borne by overlapping taxing districts, not by individual taxpayers. The financial capacity of two potential new districts on the horizon in Tualatin would not be available immediately but would build slowly over time. In pursing this strategic action in Tualatin, it will be important to get an early start on setting goals and priorities for TIF funding for affordable housing and other equitable housing before the URA districts are established. ▪ **Magnitude:** Moderate to Large
Implementation Steps	▪ As part of urban renewal planning for the two potential new districts, evaluate inclusion of affordable housing as a policy. Additionally, identify affordable housing programs, projects, and/or supportive infrastructure. ▪ Proceed with the planning and adoption processes already underway for the two potential new districts, including establishing priorities for the areas, identifying project lists, confirming financial feasibility, preparing required plan documents, and holding adoption hearings.
Lead Agency and Potential Partners	▪ **Lead Agency:** City of Tualatin Planning Division and City of Tualatin Finance Department ▪ **Partners:** Tualatin Development Commission; Overlapping taxing districts
Funding or Revenue Implications	TIF results in foregone tax revenue for the City and other overlapping taxing districts for several decades for a variety of types of development investment, though it can (and should) grow the tax base in the long term by supporting development that would not otherwise have occurred.

1.e	Evaluate Financial Resources for Local Contributions to Affordable Housing Development

Description	Type of Action
Evaluate, develop, and promote financial resources for local contribution to affordable housing development. Funds from this effort could be contributed to a Housing Trust Fund Initiative. The City of Tualatin could consider funding sources including foundation grants, private gifts, or other sources to assist with funding contributions to support affordable housing development. The City may consider other sources of funding, such as money from the City's General Fund, Local Option Levy, Cannabis Tax revenues, and other funding sources. Local contributions to affordable housing development are often critical in helping to fill the funding gap for these projects and to compete successfully for other government funding and foundation grants.	Collect Revenue to Allocate Funding to Housing Programs

Rationale	These funds can be used to support incentives and support for affordable housing development, such as tax exemptions.
Anticipated Impact	▪ **Populations served:** Extremely low income, very low–income, and low-income households ▪ **Income:** 0-60% of Median Family Income ▪ **Housing tenure:** Renter ▪ **Potential Benefit:** - **Housing Production (new units):** The amount of housing production depends on the funds raised and contributed through these resources. - **Equitable Outcomes:** Local contributions to affordable housing development could help underserved communities and demonstrate the City's commitment to equity. ▪ **Potential Financial Impact:** Funds spent on affordable housing will be unavailable for other city services, however, these funds may not have been able to be successfully raised otherwise. ▪ **Magnitude:** Moderate

Implementation Steps	▪ Identify financial sources that the City could use to support affordable housing development. ▪ Develop a Housing Trust Fund as a place to collect funds. ▪ Continue to raise funds over time.
Lead Agency and Potential Partners	▪ **Lead Agency:** City of Tualatin Planning Division and Finance Department ▪ **Partners:** State/Federal Agencies, State and National Foundations
Funding or Revenue Implications	Evaluating, developing, and promoting financial resources for local contribution is a comparatively low-cost strategy, primarily relying on the use of staff time. If the City uses General Fund revenue or revenue from other taxes, such as Cannabis Tax revenues, the money from these sources would not be available of use for other purposes in Tualatin.

4.a	Evaluate Development of Incentives to Preserve Low-Cost Rentals for Below-Market-Rate Privately Owned Rental Housing

Description	Type of Action
Evaluate options to assist with needed improvements to existing low-cost rental housing where the housing is in poor condition. The options may include a tax abatement (such as the Multi-Unit Property Tax Exemption), low interest loan program, or other financial incentives for low-cost market-rate apartments that agree to make needed improvements (e.g., to address code violations or health/safety issues) without displacing existing residents or agree to stabilize or reduce rents. Needed improvements may include addressing code violations or health/safety issues. The City would need to ensure they only grant financial incentives to property owners who agree to stabilize/reduce rents or not displace existing residents. Much of the rental housing in Tualatin that is affordable to low and moderate-income households is older, privately owned rental housing that is not subject to affordability restrictions. This housing may have deferred maintenance issues as a result of a lack of resources to make improvements and pay for repairs (or, in some cases, owner neglect). The City could work with property owners of low-cost unregulated rental housing to support needed repairs without displacing tenants. This could include: ▪ Offer low interest loans and/or grants to property owners for repairs and major rehabilitation, providing they do not displace residents. ▪ Evaluate reducing regulatory requirements and permitting challenges for owners seeking to improve older rental housing. ▪ Provide information/technical assistance to smaller property owners regarding state and local resources to support weatherization and healthy housing. ▪ Use the Multi-Unit Property Tax Exemption (Action 4.b) to support rehabilitation of multifamily housing, as described in Action 4.b. The City may want to begin implementing this strategic action with a limited scope pilot program to test and fine tune this program.	Establish Financial Incentives

Rationale	This action focuses on improvement of the condition of existing

	housing. Keeping low-cost unregulated housing both habitable and affordable reduces the need for subsidized new construction.
Anticipated Impact	▪ **Populations served:** Extremely low income, very low–income, and low-income ▪ **Income:** 0-80% of Median Family Income ▪ **Housing tenure:** Renter ▪ **Potential Benefit:** - **Housing Production (new units):** This strategy is not anticipated to produce new units, but it could improve the quality of the city's existing supply of low-cost, regulated rental units. - **Equitable Outcomes:** Preservation mechanisms would protect these vulnerable populations from housing displacement. ▪ **Potential Risk:** If there are not effective mechanisms in place to ensure that housing will be affordable for the populations served, the rents may increase, making the housing less affordable and potentially displacing tenants. ▪ **Magnitude:** Moderate
Implementation Steps	▪ Define eligibility for this program based on income. Eligibility requirements should tell whether all units in the multifamily building serve households with incomes 80% of MFI or less or whether a minimum percentage of units should be rented to households with incomes below 80% of MFI. In addition, the City should determine whether assistance goes to the property owner or another entity ▪ Develop a list of lower-cost, unregulated rental housing, including property locations, number of units per development, and property owner contact information. ▪ Evaluate programs, technical assistance opportunities, regulatory changes, and other options to support property improvements. This step can include multiple approaches, as noted in the description of this action. ▪ Reach out to property owners (identified in Step 1). Gauge their interest in improving the safety, health, and stability of their property. Determine what kinds of improvements their properties might need and what resources would be most useful to them. ▪ Refine and implement programs, technical assistance opportunities, regulatory changes, and other options (identified in Step 2) based on feedback from property owners.

	▪ Connect interested property owners to established programs and opportunities. ▪ Seek additional federal funding through the US Department of Housing and Urban Development's (HUD's) Lead Hazard Control and Healthy Homes program
Lead Agency and Potential Partners	▪ **Lead Agency:** City of Tualatin Planning Division ▪ **Partners:** Property owners of low-cost, unregulated rental housing
Funding or Revenue Implications	Amending permitting and regulatory requirements or providing technical assistance and information are comparatively low-cost strategies, primarily relying on the use of staff time. Providing low interest loans, grants, or implementing the MUPTE tax exemption would require a funding source to backfill program dollars awarded/loaned. Implementing a new program such as the HUD Lead Hazard Control and Healthy Homes program would take extensive administrative and partner resources to meet federal regulatory requirements, including performance measures.

4.b Evaluate Using the Multiple Unit Property Tax Exemption to Slow Rental Cost Increases

Description	Type of Action
Evaluate the Multi-Unit Property Tax Exemption (MUPTE) as a tool to incentivize rehabilitation of existing low-cost unregulated affordable multifamily without displacing or increasing rents for existing tenants. The savings from the tax exemption could help the property owner pay for the costs of rehabilitation over time. To qualify, owners of multifamily rental properties who are applying for MUPTE would need to enter into a contract with a public agency (such as the City of Tualatin) that would set affordability restrictions; the terms of the affordability restrictions can be set by the City, and there are no specific income/affordability requirements in the state statute that enable the program. The City must also show that the	Adopt a Tax Exemption to Reduce Ongoing Charges on Development

	exemption is necessary to preserve or establish low-income units.[2] The exemption applies to the improvement value of the property (not the land value). The exemption is initially for 10 years (per statute), but it could be extended for as long as the housing is subject to the affordability contract. The exemption would apply only to the City's portion of property taxes unless taxing districts representing 51% or more of the combined levying authority (including the City's tax rate) agree to support the exemption.
Rationale	The MUPTE program is flexible and eligibility criteria can be set locally, allowing the City to target solutions to meet its needs. It can offer an incentive for mixed-income housing, providing a way to leverage private, market-rate development to expand affordable housing.
Anticipated Impact	▪ **Populations served:** Extremely low income, very low–income, and low-income households ▪ **Income:** 0-80% of Median Family Income ▪ **Housing tenure:** Rental ▪ **Potential Benefit:** - **Housing Production (new units):** If this incentive was used for one to two existing apartment buildings at about 150 units each, if 10-20% of units were affordable, this strategy could result in 30 to 60 units below market rate. - **Equitable Outcomes:** This strategic action would preserve naturally occurring affordable housing for tenants, such as those vulnerable to displacement or housing instability if rents increased or rent discounts were not offered. ▪ **Potential Risk:** The City and participating taxing districts would forgo property tax income for the properties that qualify for MUPTE. This would reduce some revenue for city services and for participating taxing districts. ▪ **Magnitude:** Moderate
Implementation Steps	▪ Determine desired eligibility criteria (e.g., affordability requirements and any other public benefit requirements). ▪ Seek input from overlapping taxing districts on their willingness

[2] The statute does not specify how to show that the exemption is necessary.

	to support the exemption. ▪ Discuss topic with City Council at work sessions and in public hearings. City Council may choose to adopt MUPTE by resolution or ordinance following a public hearing. ▪ Follow up with overlapping taxing districts to request that they pass resolutions to support the exemption.
Lead Agency and Potential Partners	▪ **Lead Agency:** City of Tualatin Planning Division and City of Tualatin Finance Department ▪ **Partners:** Overlapping Taxing Districts
Funding or Revenue Implications	MUPTE reduces general fund revenues for all overlapping taxing districts. The City of Tualatin must weigh the loss of tax revenue against value of the rent discounts offered by qualifying development.

6.a	Evaluate Ways to Incentivize Inclusion of Workforce Housing Units within New Multifamily Rental Development
Description	**Type of Action**
Evaluate the feasibility of establishing a tax abatement for new multifamily development that includes a portion of units affordable between 61 and 80% of Median Family Income under the Multi-Unit Property Tax Exemption program (MUPTE). The state-authorized, locally implemented MUPTE program would allow Tualatin to offer a partial property tax exemption (limited to the value of the housing, not the land) for multifamily development that meets specific, established criteria by the City, such as having an affordability agreement with the City of Tualatin or another public agency.[3] The terms of the affordability agreement could be set by the City—there are no specific income/affordability requirements in the state statute that enables the program. The exemption would apply	Adopt a Tax Exemption

[3] If the abatement were being applied to a project that does not have state or federal affordability requirements, the City could enter into the contract directly with the property owner or seek to partner with Washington County, which would administer the affordability agreement.

	only to the City's portion of property taxes, unless taxing districts representing 51% or more of the combined levying authority (including the City's tax rate) agree to support the exemption. It would last for 10 years or longer if the affordability agreement remains in place. The City would need to seek support from overlapping taxing districts to offer the exemption for all property taxes (not just the City's portion). The City could explore using MUPTE in two possible ways: ▪ To incentivize mixed-income development through inclusion of below-market units in otherwise market-rate developments. ▪ To incentivize owners of existing low-cost unregulated affordable housing to rehabilitate properties without displacing existing tenants or escalating rents (Strategic Action 4.b).
Rationale	The MUPTE program is flexible and eligibility criteria can be set locally, allowing the City to target the housing to meet its needs. It can offer an incentive for mixed-income housing, providing a way to leverage private, market-rate development to expand affordable housing.
Anticipated Impact	▪ **Populations served:** Low-income residents and households ▪ **Income:** 61-80% of Median Family Income ▪ **Housing tenure:** Renters ▪ **Potential Benefit:** - **Housing Production (new units):** If this incentive was used for one to two apartment buildings at about 150 units each and 10-20% of units were affordable to low-income households,[4] this strategy could result in 30 to 60 workforce-affordable units. - **Equitable Outcomes:** Provides the opportunity for mixed income in multifamily housing, with a portion of units affordable to low-income residents. ▪ **Potential Risk:** The City and participating taxing districts would forgo some property tax income for the duration of the exemption, reducing some revenue for city services and revenue for participating taxing districts. ▪ **Magnitude:** Moderate

[4] Where jurisdictions are trying to incentivize or require mixed-income housing, it is typically structured so that a certain percentage of units in the building (e.g., 10% to 25%) meet a certain affordability level (e.g., 61% to 80% of MFI).

Implementation Steps	▪ Determine desired eligibility criteria (e.g., affordability requirements and any other public benefit requirements). ▪ Seek input from overlapping taxing districts on their willingness to support the exemption. ▪ Discuss topic with City Council at work sessions and in public hearings. City Council may choose to adopt MUPTE by resolution or ordinance following a public hearing. ▪ Follow up with overlapping taxing districts to request that they pass resolutions to support the exemption.
Lead Agency and Potential Partners	▪ **Lead Agency:** City of Tualatin Planning Division ▪ **Partners:** Tualatin Finance Department and Overlapping Taxing Districts
Funding or Revenue Implications	MUPTE reduces general fund revenues for all overlapping taxing districts. The City of Tualatin must weigh the loss of tax revenue against value of the rent discounts offered by qualifying development.

8.a Evaluate Establishing Local Housing Rehabilitation Program

Description	Type of Action
Evaluate the feasibility of establishing a local housing rehabilitation program to improve housing safety and health conditions for households earning 80% or less of the Median Family Income. Much of the rental housing in Tualatin that is affordable to low and moderate-income households is older, privately owned housing that is not subject to affordability restrictions. This housing may have deferred maintenance issues as a result of a lack of resources to make improvements and pay for repairs (or, in some cases, owner neglect). The City can work with property owners of low-cost unregulated rental housing to support needed repairs without displacing tenants. This could include: ▪ Offer low interest loans and/or grants to property owners for repairs and major rehabilitation, providing they do not displace residents.	Develop a Program

▪ Explore reducing regulatory and permitting requirements in the Development Code to identify and reduce challenges for owners seeking to improve older rental housing. ▪ Provide information/technical assistance to smaller property owners regarding state and local resources to support weatherization and healthy housing. ▪ Use the Multi-Unit Property Tax Exemption (Action 4.b) to support rehabilitation, as described in Action 4.b.	
Rationale	Keeping low-cost unregulated housing both habitable and affordable reduces the need for subsidized new construction.
Anticipated Impact	▪ **Populations served:** Extremely low income, very low–income, and low-income households ▪ **Income:** 0-80% of Median Family Income ▪ **Housing tenure:** Renter ▪ **Potential Benefit:** - **Housing Production (new units):** This strategy is not anticipated to produce new units, but it is intended to preserve and may improve the quality of the City's existing supply of low-cost, regulated rental units. It may also result in improved health and safety for the residents in the existing units. - **Equitable Outcomes:** Improves housing safety and health conditions for households earning 80% or less of the Median Family Income. ▪ **Potential Risk** Most negative impacts would be borne by the property owner to address identified deficiencies. However, property may also have positive impacts, such as an increase in property value and longer-term renters. If the property owner makes substantial changes to the housing, that may increase rents (making it less affordable) or encourage conversion to owner-occupied housing. ▪ **Magnitude:** Low to moderate
Implementation Steps	▪ Maintain and enhance the existing list of lower-cost, unregulated rental housing, including property locations, number of units per development, and property owner contact information. ▪ Evaluate programs, technical assistance opportunities, regulatory changes, and other options to support property improvements. This step can include multiple approaches, as noted in the description of this action.

	▪ Reach out to property owners (identified in Step 1). Gauge their interest in improving the safety, health, and stability of their property. Determine what kinds of improvements their properties might need and what resources would be most useful to them. ▪ Refine and implement programs, technical assistance opportunities, regulatory changes, and other options (identified in Step 2) based on feedback from property owners. ▪ Connect interested property owners to established programs and opportunities. ▪ Seek additional federal funding through the US Department of Housing and Urban Development's (HUD's) Lead Hazard Control and Healthy Homes program.
Lead Agency and Potential Partners	▪ **Lead Agency:** City of Tualatin Community Development Department, City of Tualatin Finance Department, and City of Tualatin Building Division and Engineering Division. ▪ **Partners:** Overlapping taxing districts (if using MUPTE), Washington County Public Housing Authority, and Community Alliance of Tenants (CAT)
Funding or Revenue Implications	Providing low interest loans, grants, or implementing the MUPTE tax exemption will require a funding source to backfill program dollars awarded/loaned. Implementing a new program such as the HUD Lead Hazard Control and Healthy Homes program would take extensive administrative and partner resources to meet federal regulatory requirements, including performance measures.

ECONorthwest
ECONOMICS · FINANCE · PLANNING

DATE: July 14, 2022
TO: City of Tualatin
FROM: ECONorthwest
SUBJECT: Summary of Construction Excise Tax Analysis

The City of Tualatin is considering a range of strategies and actions to fund and implement the goals from its 2021 Housing Production Strategy into a Housing Implementation Plan. To understand the potential trade-offs of these strategies in Tualatin, this memorandum describes strategic actions around a Construction Excise Tax (CET) and how it works. In addition, it summarizes an analysis of the potential impacts of implementing this action. The final section outlines potential next steps for the City of Tualatin to consider.

Construction Excise Tax

Overview

In 2016, the Oregon Legislature passed Senate Bill 1533, which permits cities to adopt a construction excise tax (CET) on the value of new construction projects to raise funds for affordable housing projects. The tax is limited to 1% of the permit value on residential construction with no cap on the rate applied to commercial and industrial construction. A number of cities of various sizes in Oregon have adopted a CET.

Construction Excise Tax: Levies a tax on new construction projects to fund housing programs and/or investments. It can be applied to residential and/or commercial and industrial development.

How the Construction Excise Tax Works

The allowed uses for CET funding are defined by state statute:

- The City may retain up to 4% of funds to cover administrative costs. The funds remaining must be allocated as follows, depending on whether the CET is on residential or commercial and industrial development:
- For a residential CET:
  - 50% must be used for developer incentives (e.g., permit fee and SDC waivers,[1] tax abatements, or finance-based incentives). The City would have to offer incentives but could cover the costs or foregone revenues with CET funds.
  - 35% may be used flexibly for affordable housing programs, as defined by the jurisdiction.
  - 15% is not available to the city and flows instead to Oregon Housing and Community Services for homeownership programs that provide down payment assistance.

[1] Note that while these are called "waivers," they are really subsidies, since the fees would still be paid by CET revenues rather than by the developer.

- For a commercial/industrial CET:
  - 50% of the funds must be used for housing-related programs, as defined by the jurisdiction (note that these funds are not necessarily limited to affordable housing).
  - The remaining 50% is unrestricted.

Fiscal Impacts/Who Pays

The source for CET funds is new development. The statute exempts public buildings, regulated affordable housing, places of worship, public and private hospitals, agricultural buildings, nonprofit facilities, long-term care facilities, residential care facilities, and continuing care retirement communities.[2] The City can exempt other types of development if desired.

Pros and Cons

Pros:

- Offers the ability to link industrial or other employment investments, which generate new jobs and demand for new housing, with funding for housing development.
- CET is a flexible funding source, especially for funds derived from commercial/industrial development.
- Program funds can fund administration of the CET as well as staff time needed to administer programs funded by CET.

Cons:

- CET increases development costs in an environment where many developers are already seeking relief from system development charges. Depending on the rates imposed, CET could have an impact on feasibility. More research would be necessary to understand the potential magnitude of the impact.
- Where demand is high relative to supply, additional fees on residential development may be passed on to tenants or home buyers through higher housing costs.
- Because CET revenue is development derived, it will fluctuate with market cycles and will not be a steady source of revenue for affordable housing when limited development is occurring.

[2] Oregon Revised Statute 320.173

Summary of CET Analysis

Estimating Revenue Potential

Methodology Overview

There is no statutory cap on the CET rate applied on commercial and industrial construction. Therefore, this analysis assumed a range of potential rates that the City could apply on this development type: 0.3%, 0.5%, 1%, and 2%. The CET rate applied on residential construction is capped at 1%. Therefore, this analysis assumed a range of potential rates that the City could apply on this development type under the 1% threshold: 0.3%, 0.5%, .75%, and 1%.

After establishing a range of rates, the analysis assessed what revenue would look like based on historical building permit values for each respective development type (i.e., commercial and industrial development over the last five years and residential development over the last five years).

Based on the statutory regulations about how the CET funds can be expended, we allocated the projected revenue forecasts as follows:

- **Commercial/Industrial Construction: (1)** 4% to administrative costs, **(2)** 50% of the balance after subtracting administrative costs to housing-related programs (i.e., 48% of the total), and **(3)** 50% of the balance after subtracting administrative costs to an unrestricted use (i.e., 48% of the total).
- **Residential Construction: (1)** 4% administrative costs, **(2)** 15% of the balance after subtracting administrative costs to OHCS (i.e., 14% of the total), **(3)** 35% of the balance after subtracting administrative costs to affordable housing programs (i.e., 34% of the total), and **(4)** 50% of the balance after subtracting administrative costs to developer incentives (i.e., 48% of the total).

Results: Historical Permit Values

One way to estimate CET revenue is a backward-looking analysis. If the City of Tualatin had charged CET fees on recent development that had occurred, how much revenue might have the City collected (assuming the permitting activity had been unchanged as a result of that CET)?

Building permits for residential development and commercial/industrial development in Tualatin fluctuated from year to year over the last five years. Exhibit 56 summarizes annual total permit values for new residential and commercial/industrial construction as well as additions that increase square feet (excluding exempt development) in 2020 dollars.[3] The annual

[3] ECONorthwest used the Construction Cost Index published by Engineering News Record to inflate permit values to 2020 dollars.

average over the five-year period (2016-2020) for residential development is about **$10m in qualifying permit value** in 2020 dollars. The annual average over the five-year period for commercial and industrial development is about **$41.8m in qualifying permit value** in 2020 dollars.

Exhibit 1. Residential Building Permit and Commercial/Industrial Building Permit Values by Year (2016 to 2020), (in 2020 dollars)

Source: ECONorthwest analysis of City of Tualatin permit data.

Note: The large bump in residential permit valuation in 2018 is primarily due to the City of Tualatin permitting an above-average number of residential developments (101 total permits in 2018, compared to 11, 12, 35, and 37 total permits in other years). The large bump in commercial/industrial valuation in 2020 is predominately due to a new industrial structure permitted on Blake Street with a permit value of $90m (2020$).

Year	Commercial and Industrial Bulilding Permit Valuation (2020$)	Residential Building Permit Valuation (2020$)
2016	$17,166,894	$9,304,128
2017	$11,042,600	$6,270,048
2018	$53,020,643	$32,351,852
2019	$14,918,542	$1,257,071
2020	$112,883,996	$926,520
Annual Average	**$41,806,535**	**$10,021,924**
Total (2016-2020)	**$209,032,675**	**$50,109,618**

Next, the analysis calculated the revenue that the City would have generated if it had a CET in place during the 2016 to 2020 period (assuming the permitting activity had been unchanged as a result of that CET) using the different CET rates listed previously.

Exhibit 57 and Exhibit 58 show potential CET revenue for commercial/industrial development. This analysis shows that under the highest rate tested (2%), the average annual CET revenue over this period would have been about $836,100.

Exhibit 59 and Exhibit 60 show potential CET revenue for residential development. This analysis shows that under the highest rate tested (1%), the average annual CET revenue over this period would have been about $100,200.

Under either development type, the minimum CET revenue collected in a slow year would have varied little with the different rates, while the maximum collected in a "busy" year would have varied substantially.

Exhibit 2. Potential Annual Commercial/Industrial CET Revenue by Year and Rate (2016 to 2020)
Source: ECONorthwest analysis of City of Tualatin permit data.

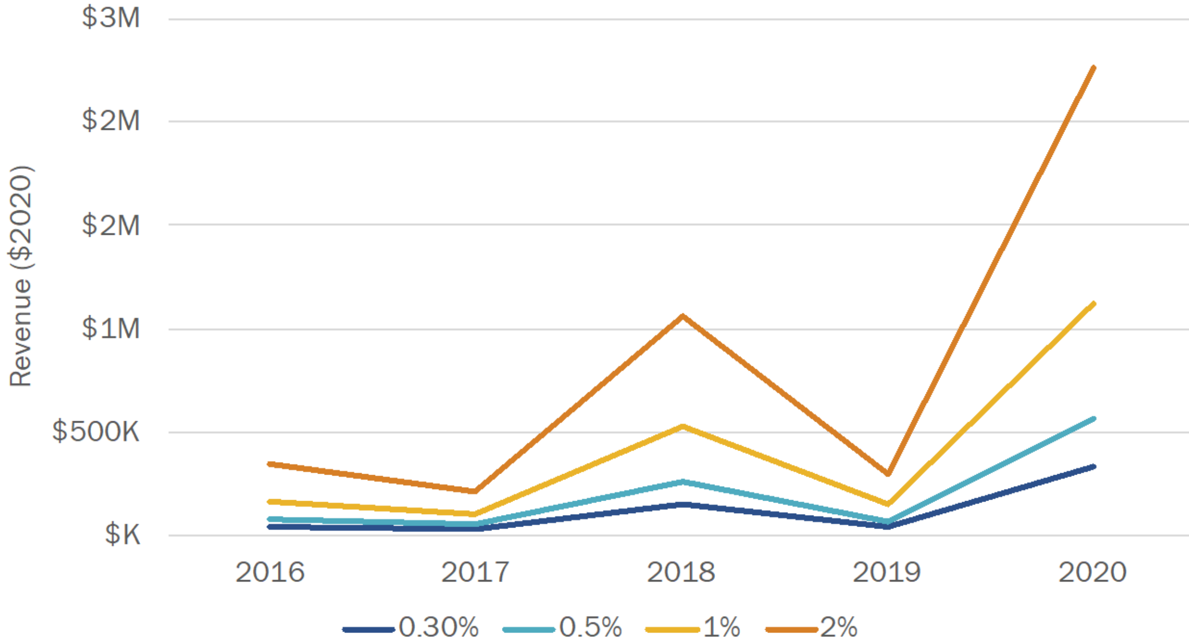


Exhibit 3. Historical Minimum, Maximum, and Average Annual Potential Commercial/Industrial CET Revenue by Rate (2016 to 2020)
Source: ECONorthwest analysis of City of Tualatin permit data.

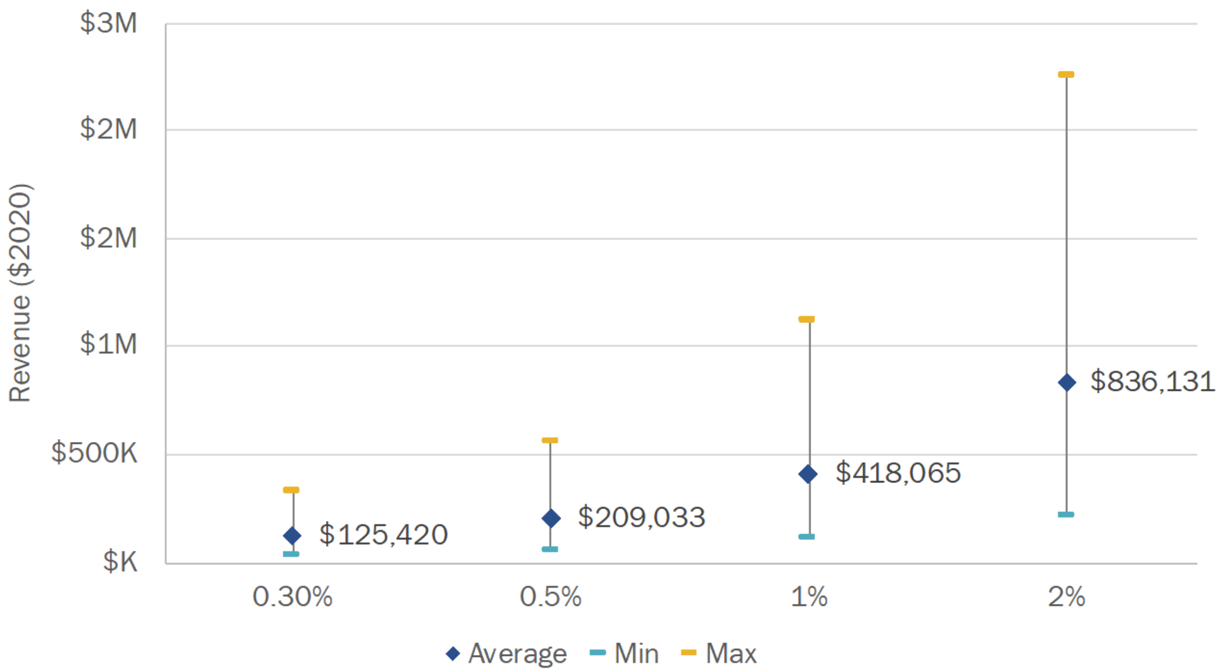


Exhibit 4. Potential Annual Residential CET Revenue by Year and Rate (2016 to 2020)
Source: ECONorthwest analysis of City of Tualatin permit data.

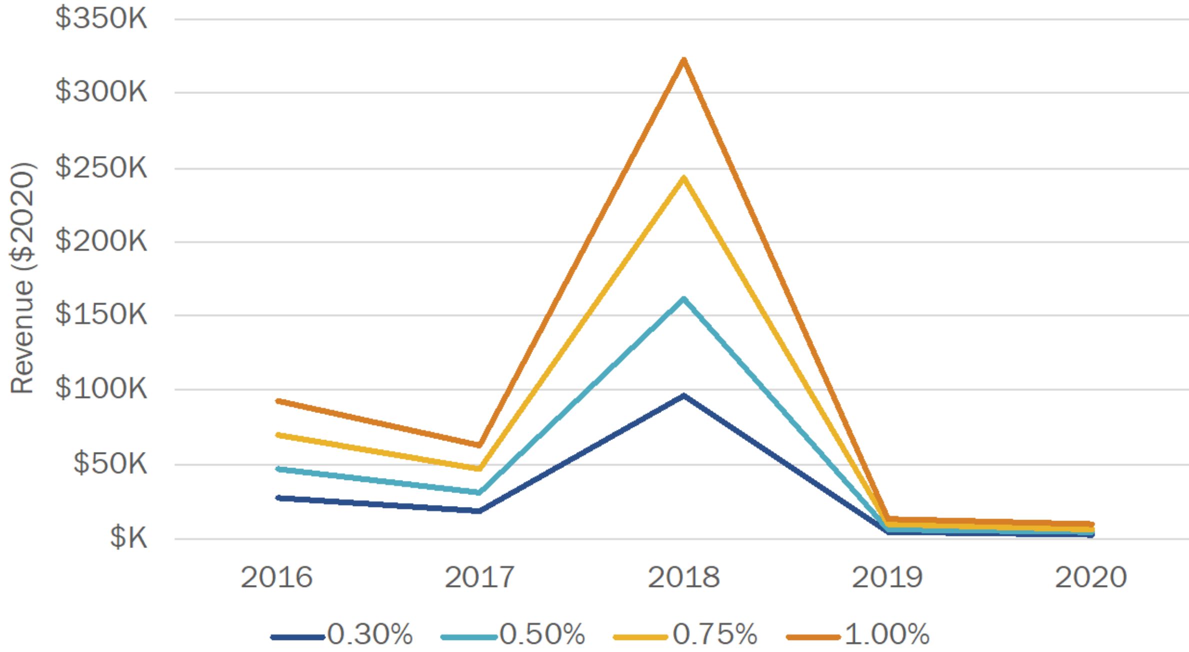
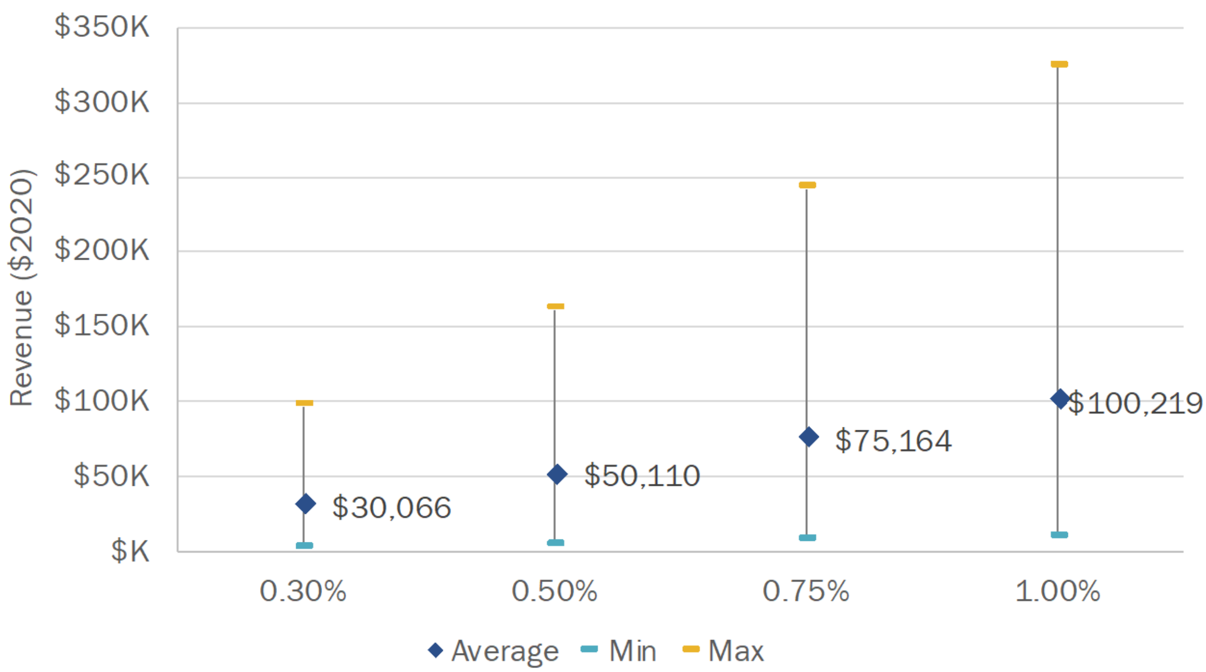


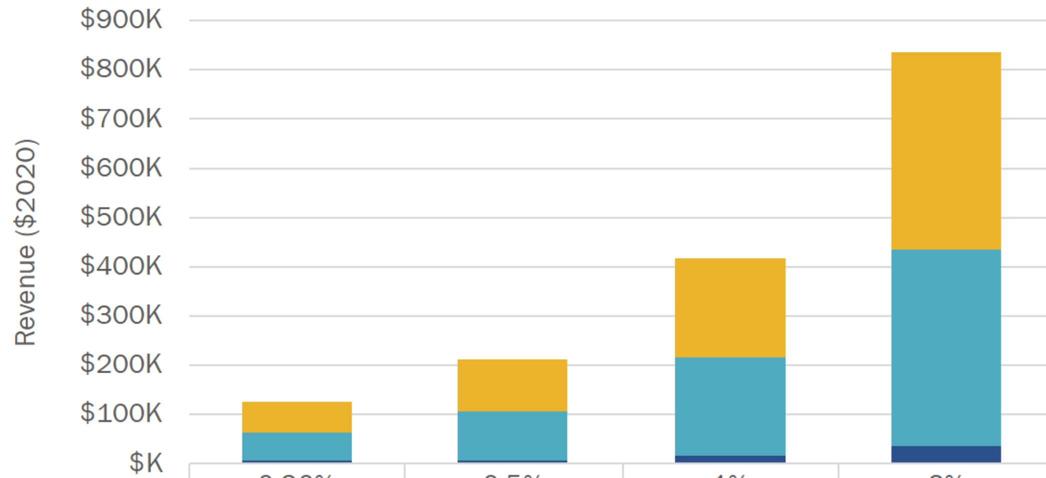
Exhibit 5. Historical Minimum, Maximum, and Average Annual Potential Residential CET Revenue by Rate (2016 to 2020)
Source: ECONorthwest analysis of City of Tualatin permit data.



Based on the statutory requirements about use of funds, ECONorthwest translated the average annual simulated CET collections between 2016 and 2020 into funds available for each funding category, as shown in Exhibit 61 and Exhibit 62.

Exhibit 6. Hypothetical Total Commercial/Industrial CET Revenue (2016 to 2020) by Rate and Use of Funds

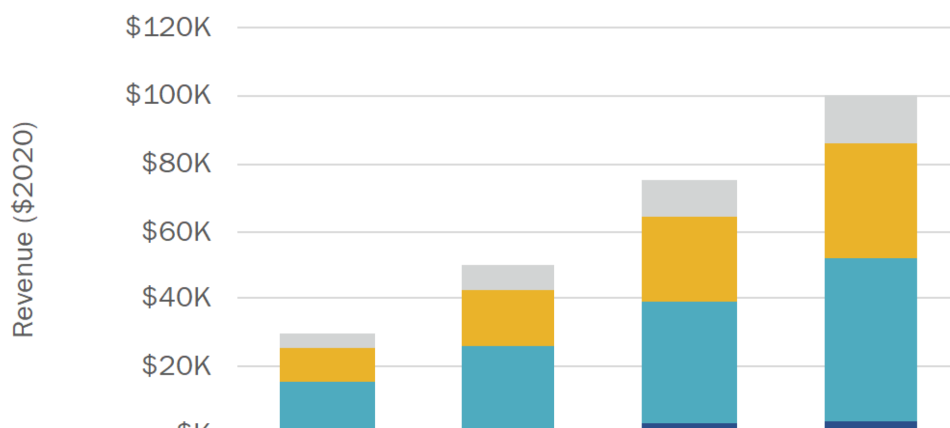
Source: ECONorthwest analysis of City of Tualatin permit data.



	0.30%	0.5%	1%	2%
Unrestricted	$60,201	$100,336	$200,671	$401,343
Housing Programs	$60,201	$100,336	$200,671	$401,343
Admin Costs	$5,017	$8,361	$16,723	$33,445

Exhibit 7. Hypothetical Total Residential CET Revenue (2016 to 2020) by Rate and Use of Funds

Source: ECONorthwest analysis of City of Tualatin permit data.



	0.30%	0.50%	0.75%	1.00%
OHCS	$4,329	$7,216	$10,824	$14,432
Affordable Housing Programs	$10,102	$16,837	$25,255	$33,674
Developer Incentives	$14,432	$24,053	$36,079	$48,105
Admin Costs	$1,203	$2,004	$3,007	$4,009

As shown above, a 0.5% or 1% rate on commercial and industrial development could generate meaningful revenue for programs, especially if the unrestricted portion is also dedicated toward housing programs. Because of the greater flexibility for these revenues, the City could design a flexible program for the revenues, or direct all of the net revenues towards a Housing Trust Fund or similar fund. This ease of use is important, because even with the higher revenue potential of the commercial/industrial CET, a 0.5% to 1% rate would offer little funding for administrative costs.

A CET on residential development would generate relatively little revenue given past trends in residential development, even at the maximum rate (1%). In addition, the administration would be more complex due to needing to separate out revenues toward the spending categories as specified in statute, while the funding available to cover administrative costs would be negligible.

Conclusions and Next Steps

Given the results summarized above, a 0.5% to 1% CET on commercial and industrial development may be worthwhile to consider as it could generate a flexible source of revenue for local housing programs, especially if the City continues to see strong industrial and commercial growth. Imposing a CET on residential development is likely not worth considering unless the City annexes a large amount of vacant residential land where higher-end new housing is expected.

If the City chooses to further evaluate adoption of a CET, it should conduct additional outreach to stakeholders and local businesses to offer an opportunity for discussion and to raise any concerns. The City should also advance conversations about the potential uses of the funds, even though this is flexible and does not necessarily need to be determined prior to adoption. Working with stakeholders to clearly define the program's intended purpose, how the funds (especially the unrestricted portion) would be used, and who would make decisions about the use of funds is likely to help build support for the program. If the City chooses to adopt a CET, it must pass an ordinance or resolution that states the rate and base of the tax. Most communities also identify any further self-imposed restrictions on the use of funds as part of adopting the ordinance. If the ordinance passes, the City must then establish a process to distribute the funds.

ECONorthwest
ECONOMICS · FINANCE · PLANNING

DATE: 07/15/2022
TO: City of Tualatin
FROM: ECONorthwest
SUBJECT: Summary of Nonprofit Corporation Low Income Housing Exemption

The City of Tualatin is considering a range of strategies and actions to fund and implement the goals from its 2021 Housing Production Strategy. To understand the potential trade-offs of implementing these strategies in Tualatin, this memorandum describes strategic actions around an affordable housing tax exemption and how it works. In addition, it summarizes an analysis of the potential impacts of implementing these actions. The final section outlines potential next steps for the City of Tualatin to consider.

Nonprofit Corporation Low-Income Rental Housing Tax Exemption

Overview

The **Nonprofit Corporation Low-Income Rental Housing Exemption**[1] provides a full property tax exemption for new and existing affordable housing owned and operated by a 501(c)(3) or (4) nonprofit organization, and land held by a nonprofit for future affordable housing development.

Tax Exemptions: Incentivizes affordable housing development by waiving some property taxes for qualifying projects. Depending on the local program, nonprofits or all housing developers may be eligible.

The Nonprofit Corporation Low-Income Rental Housing Exemption can apply for as long as the property using it meets eligibility criteria. These include requirements that tenants must initially qualify at 60% of Median Family Income (MFI) or below, which is about $55,000 for a family of four people in Tualatin based on 2020 MFI.[2] Once qualified, existing tenant incomes may rise to as much as 80% of MFI ($74,000 for a family of four) over time. Annual renewal is required to ensure compliance with these requirements.[3]

The City has options to consider in implementing the tax exemption. First and foremost is which taxing districts will participate in the tax exemption. Only the City's property taxes would be exempted unless there is sufficient support from overlapping taxing districts. If the City and other taxing districts that comprise at least 51% of the local tax roll participated in the program, qualifying developments could have 100% of their property taxes waived. With this majority, all taxing districts would be obligated to participate. Without the support of at least 51% of overlapping districts, only city taxes would be affected by the exemption. The city could

[1] This tax exemption is authorized in ORS 307.540 to 307.548.

[2] The information about Median Family Income below (and throughout the report) use the 2020 MFI for Washington County ($92,000). This is based on information in the Tualatin Housing Production Strategy.

[3] This requirement is stated in ORS 307.545.

also determine the length of these programs and whether to apply a cap on how long organizations may participate.

In addition, the City must select a definition of affordability (if different from the one stated above of having income at or below 60% of MFI) and set local requirements for receiving this tax exemption, if any. The exemption can be granted for as long as the property meets eligibility criteria, but the property owner must reapply on an annual basis to demonstrate on-going eligibility. For land held for future affordable housing development, the City sets a limit on how long the exemption can apply, with the option for property owners to apply for an extension after that time.

This exemption is granted to development of rental housing with state and federal funding that requires verification of tenant incomes to ensure the tenants meet the income requirements. As a result, little or no additional monitoring or enforcement is likely needed for this program, since eligibility is limited to nonprofit affordable housing providers and the annual application process provides evidence of eligibility. In addition, if part of an eligible property is used for purposes other than low-income housing (e.g., a commercial use or mixed-income housing), the exemption is pro-rated.

Some examples of cities that have adopted this tax exemption include: Newport, Beaverton, Portland, Tigard, Forest Grove, Cornelius, and Wilsonville.

Fiscal Impacts/Who Pays

Nonprofit Low-Income Rental Housing Exemption is implemented, the City would forgo property tax income for qualifying new development for the duration of the exemption. This reduces some revenue for city services and potentially revenue for participating taxing districts such as school districts. However, if no development was to happen, then no taxes would be generated. The level of impact on tax revenue is contingent on affordable projects occurring in Tualatin and developers using the program.

Pros and Cons

Pros:

- The abatement can be used for most nonprofit affordable rental housing development.
- Can apply to both existing and new housing.
- Reduces carrying costs before development occurs (tax exemption available for land being held for development of affordable units), and offsets operational costs once the development is complete, reducing feasibility gaps.
- Allows a city to adopt additional criteria, such as a cap on the number of eligible properties or on the amount of lost tax revenue.
- City services and other taxing districts would not forgo any revenue unless projects were built that served tenants under 60% MFI and developers used the program.

- The structure of this subsidy is simple and straightforward to affordable housing developers. Because it is by-right, it also eliminated some of the administrative costs of programs that are more discretionary.

Cons:

- The city must get affirmative support from enough overlapping taxing districts to apply to their tax collections.
- The tax exemption reduces general fund revenues for all affected taxing districts. This could potentially cause funding gaps that need to be backfilled for some taxing districts
- This tax exemption only applies to housing that is affordable for households with income below 60% of MFI. So, it does not support development of mixed-income housing or affordable housing built by for-profit developers.
- The requirement for the property owner to resubmit eligibility documentation every year may be burdensome, though a streamlined application process can mitigate this.
- Compared to state or federal affordable housing programs, the burden is on local tax payers. Unfortunately, due to construction costs and lack of significant affordable housing funds, layering local, state and federal funds is often necessary.
- Some review of income eligibility by residents is required to maintain these programs. In other jurisdictions in Oregon programs are typically administered by a city's housing bureau or planning and development staff. This will also require some capacity for reporting from participating developers.

Summary of Tax Exemption Analysis

Estimating Forgone Revenue

Methodology Overview

To estimate forgone tax revenue from implementing the Nonprofit Corporation Low-Income Rental Housing Exemption, ECONorthwest identified recent examples of affordable multifamily developments that could have potentially qualified for this program (Exhibit 2).

Given the shortage of new affordable multifamily development in Tualatin in the last ten years, two of the three examples used are comparable projects built nearby in Tigard. Tigard shares some of the same taxing districts as Tualatin, including schools and aquatic centers as well as Washington County, Port of Portland, and Metro Regional Government rates. The third example used was an older affordable housing complex in Tualatin originally built in 1972 but recently renovated in 2021.

Exhibit 1. Comparable Affordable Multifamily Buildings
Source: CoStar

	Red Rock Creek Commons	The Fields	River Loft Apartments
Developer	Community Partners for Affordable Housing (CPAH)	DBG Properties	Next Wave Investors
Jurisdiction	Tigard	Tigard	Tualatin
Year Built	2021	2021	1972 (Renov. 2021)
Lot Size	0.88 acres	24.12 acres	3.8 acres
Units	48	264	74
Average Sq. Ft. per Unit	591 sq ft.	759 sq ft.	930 sq ft.
Assessed Value*	$2,974,590	$17,576,080	$4,274,350

*For those examples recently built in Tigard, the assessed value was not directly available through the Washington County Assessment and Taxation portal because they were already using the city's Nonprofit Corporation Low Income Housing Exemption. To approximate this value, we used their real market value (RMV) included in publicly available assessor files and Washington County's 2021-2022 changed property ration (CPR) for apartment buildings (0.356).

Using these assessed values, we calculated the hypothetical tax dollars that would have been exempted by unit if these projects had been built in Tualatin with the tax schedule in Exhibit 2. Then, we projected how these onto a hypothetical building to demonstrate the forgone tax revenue for a 100-unit building, with considerations for the impact on different taxing districts.

Property Tax Rates

There are a number of taxing districts which have coverage in the City of Tualatin. The City could either model their exemption with their own taxes or all overlapping districts. Exhibit 2 shows the rate each of these districts alongside the rate that they charge on assessed property value and their share of the total tax roll.

The largest share of property taxes in Tualatin goes to public school systems. Although multiple school districts overlap the city including Tigard-Tualatin, West Linn-Wilsonville, Sherwood, and Lake Oswego, this model uses the district with the most coverage (Tigard-Tualatin).

Tualatin also spans two counties in Oregon. Although a portion of the city is in Clackamas County, the majority of the city falls on the Washington County side. This model assumes Washington County's tax rates, though they may generally be lower in Clackamas.

Exhibit 2. Property Tax Rates for All Districts in Tualatin, OR
Source: Washington County Assessment and Taxation

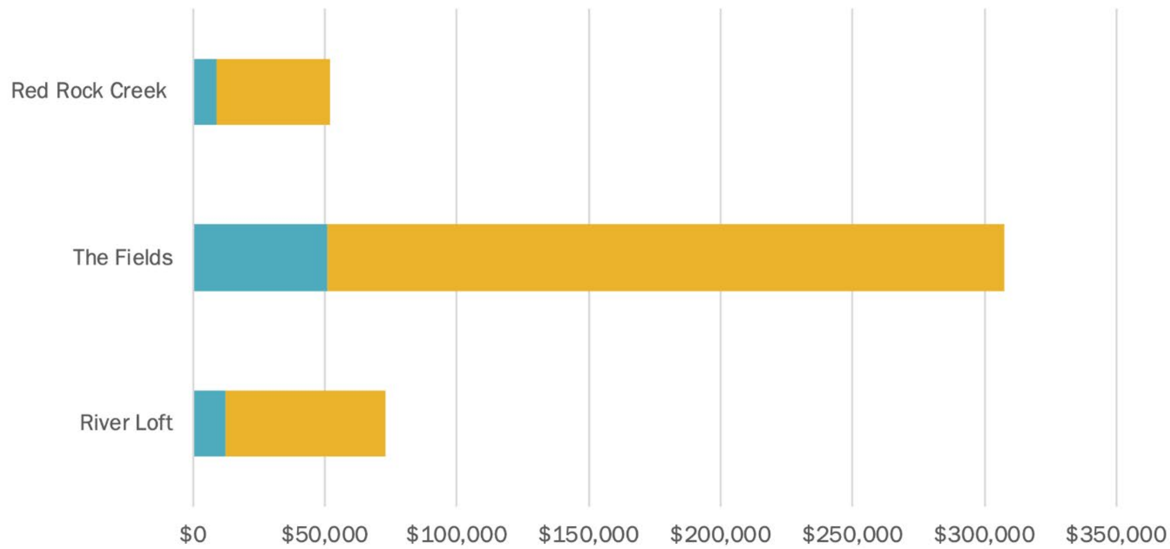
Taxing District	Tax Rate per $1,000 of value	Share
Tigard-Tualatin School District	0.78%	44.7%
Washington County	0.30%	17.3%
City of Tualatin	**0.29%**	**16.5%**
Tualatin Valley Fire and Rescue	0.21%	12.2%
Portland Community College	0.07%	3.8%
Metro Regional Government	0.06%	3.3%
Northwest Regional Education Service District	0.02%	0.9%
Port of Portland	0.01%	0.4%
Tigard-Tualatin Aquatic District	0.01%	0.5%
SWC Tualatin	0.01%	0.5%
Total (All Districts)	**1.74%**	**100%**

Results

If the City alone were to implement a Nonprofit Low-Income Rental Housing Tax Exemption program, it would alleviate 16.5% of property taxes for participating projects. If all taxing districts were to participate, this total exemption would be higher and alleviate 100% of annual tax burden for years that the building was included in the program.

Using comparable multifamily building examples, we first estimated the total forgone revenue that would have been associated with those projects (Exhibit 3). There is a wide range in these values based on the number of units, unit mix, location, and other features.

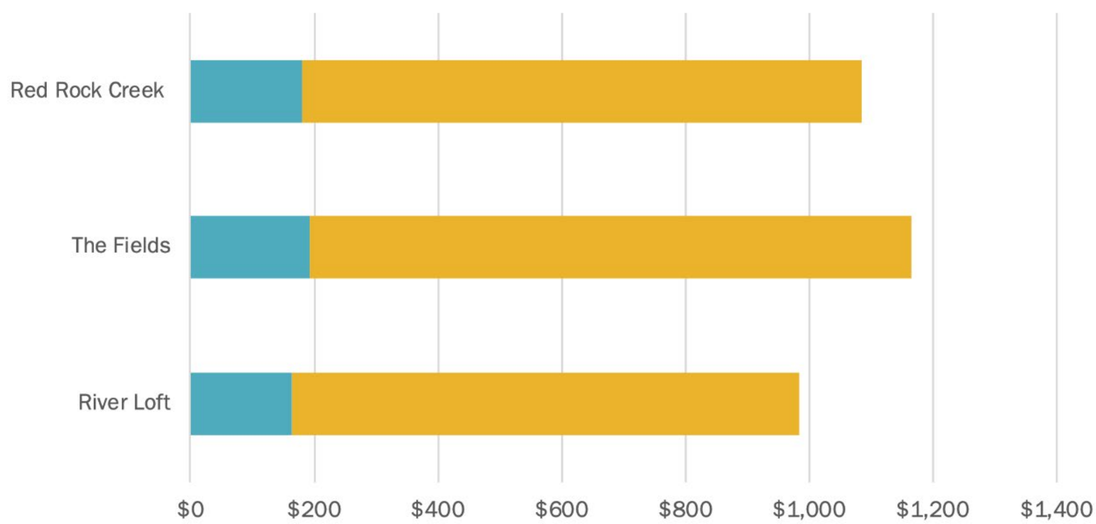
Exhibit 3. Total Potential Annual Forgone Tax Revenue in Comparable Multifamily Buildings
Source: Washington County Assessment and Taxation, ECONorthwest Analysis



	River Loft	The Fields	Red Rock Creek
City Total	$12,055	$50,971	$8,626
Other Districts Total	$60,689	$256,611	$43,429

City Total   Other Districts Total

Exhibit 4. Potential Forgone Tax Revenue Per Unit in Comparable Multifamily Buildings
Source: Washington County Assessment and Taxation, ECONorthwest Analysis



	River Loft	The Fields	Red Rock Creek
City Revenue Per Unit	$163	$193	$180
Other Districts Per Unit	$820	$972	$905

City Revenue Per Unit   Other Districts Per Unit

Based on these total figures and building specifications, the potential forgone annual revenue for the City would range from $163-193 per affordable unit (Exhibit 4). Different unit sizes and types may also account for the variability in this range. The average across all example buildings would be **$179 of forgone annual revenue to the City per unit**. If applied to all taxing districts this impact higher, ranging from **$983-1,165 per unit with an average of $1,078.**

For Tualatin only, using the average amount per unit (approximately $179), we estimate that multiplied across a new development, **for every 100 affordable units built using the exemption, the City would forgo $17,856 in potential tax revenue per year of the program.**

It is possible that the City may reach an agreement with taxing districts that make up at least 51% of the total levy. In this case all taxing districts would be obligated to participate, resulting in a 100% tax exemption program. If this total exemption were applied at the average of approximately $1,078 per unit, **it would total $107,753 in annual savings for a 100-unit affordable building.** Of this amount, public school districts would account for the largest share at 45% (or $48,204 annually) of the forgone revenue for those units.

Example Tax Exemption Programs

Other jurisdictions have applied the Nonprofit Low-Income Rental Housing Tax Exemptions to their areas. The examples below provide implementation considerations for how Tualatin could structure a similar exemption program.

Portland: Non-Profit Low Income Housing Limited Tax Exemption (NPLTE)

- Portland offers three limited tax exemption programs, including one specifically for nonprofit organizations. To qualify for this program, properties must be located within the City of Portland and rents must be affordable to households earning 60% AMI or less.
- NPLTE is available to participating organizations who are certified by the Internal Revenue Service as 501(c)(3) or (4). They must own, have a leasehold interest in the property, or participate in a partnership where they are responsible for day-to-day property management.
- The Portland Housing Bureau (PHB) administers this program on behalf of the City of Portland by reviewing and approving applications. There is an annual renewal process and fee for participants. In PHB's most recent reporting (2017-18), 11,365 units in the city were using the program for rent-restricted housing units in multifamily buildings. No units in the program were for single-family homes, though it is not specifically prohibited.

Conclusions and Next Steps

- The City should consider this subsidy mechanism as part of the larger mix of funding sources to support development of income-restricted affordable housing. Given the substantial funding gaps that exist with affordable housing projects, this is a powerful and relatively simple tool to put into play.

- A tax abatement does not layer with all potential forms of subsidy. For example, Urban Renewal uses tax increment financing that typically accesses the same property taxes which would be forgone by the program. A tax exemption would work well with other approaches that add revenue to the City's budget (for instance, a Construction Excise Tax).
- The total impact of the tax exemption for supporting affordable housing development will depend on whether other taxing districts are willing to join the abatement or if it will just apply to city taxes. The Tigard-Tualatin School District participates in a nonprofit tax exemption in Tigard, indicating that they may be willing to consider a similar program in Tualatin. Washington County (who accounts for 17.3% of the tax roll) also offers an exemption for unincorporated areas outside of cities.

AGENDA

Tualatin Housing Implementation Plan: Strategic Equitable Housing Funding Plan Advisory Committee Meeting #2

10/12/2022

5:30 – 5:45 PM	**Review of Plan, Committee Goals and Previous Items** ▪ What has already been done ▪ What the purpose of the study is and how it helps move the process forward ▪ Brief review of CET and Nonprofit Exemption
5:45 – 6:15 PM	**Discussion of Multiple Unit Property Tax Exemption (MUPTE)** o Presentation o Discussion
6:15 – 6:45 PM	**Discussion of System Development Charges (SDC) Exemption** ▪ Presentation ▪ Discussion
6:45 – 7:15 PM	**Discussion of Urban Renewal Funds** ▪ Presentation ▪ Discussion
7:15-7:30 PM	**Next Steps**

ECONorthwest
ECONOMICS · FINANCE · PLANNING

DATE: October 4, 2022
TO: City of Tualatin
FROM: ECONorthwest
SUBJECT: Summary of Multiple Unit Property Tax Exemption Analysis

The City of Tualatin is considering a range of strategies and actions to fund and implement the goals from its 2021 Housing Production Strategy. To understand the potential trade-offs of implementing these strategies in Tualatin, this memorandum describes what each strategic action is and how it works. In addition, it summarizes an analysis of the potential impacts of implementing each action. The final section outlines potential next steps for the City of Tualatin to consider.

Multiple Unit Property Tax Exemption (MUPTE)

Overview

Multiple Unit Property Tax Exemption: Can be used to incent multifamily housing with particular features or at particular price points by offering qualifying developments a partial property tax exemption for 10 years (or longer, for housing subject to affordability agreements).

The Multiple Unit Property Tax Exemption (MUPTE, sometimes referred to as MULTE) provides a 10-year partial property tax exemption on new or rehabilitated multifamily rental housing (or middle housing rentals like duplexes, triplexes, etc.) that meets criteria set by the City.[1] It can be used for market-rate multifamily housing with particular features, or for mixed-income or fully regulated affordable housing. If used for housing with affordability restrictions, the exemption can last longer than 10 years and continue as long as the restrictions remain in place. This program is flexible, with City discretion over many aspects of eligibility, including the level of affordability requirements, the minimum number of units in the property, and any design requirements.

Regardless of the local eligibility criteria, the exemption applies to 100% of the residential portion of the property's improvement value but does not apply to the land value. In other words, all of a residential project's improvement value can be exempt even if only 10 percent of the units are affordable if the city's criteria require a minimum of 10 percent affordability. Further, if there are nonresidential portions of the building (like ground floor commercial), it won't apply over that portion of the development.

Like the Nonprofit Corporation Low-Income Tax Exemption (described in ECONorthwest's previous memorandum), this program applies only to the City's taxes unless the boards of other taxing districts representing at least 51% of the combined levy agree to the exemption, in which case all districts are included. The same taxing districts detailed in ECONorthwest's Summary

[1] This tax exemption is authorized in ORS.307.600 to 307.637

of Nonprofit Corporation Low Income Housing Exemption memorandum apply for this program.

A number of cities in Oregon have implemented tax abatement programs under these statutes, though the program names vary between jurisdictions. This memorandum includes several examples to illustrate different program structures with similar goals to Tualatin for housing. Some cities use the same program to incentivize housing in specific areas with specific design features rather than affordability.

This memorandum focuses on the use of MUPTE to incentivize mixed-income development through inclusion of affordable units in market rate buildings to provide workforce housing. MUPTE can also preserve unregulated affordable housing by encouraging owners to rehabilitate properties without raising rents or displacing tenants, but the analysis for this memorandum focuses primarily on its function for providing new units.

Fiscal Impacts/Who Pays

If this tool is implemented, MUPTE reduces general fund revenues for either the City alone or for all overlapping taxing districts (if at least 51% of the levy agrees to participate). The loss of tax revenue may or may not outweigh the value of affordable rents offered by new development using the program. If it does not, market rate developers would not opt into a voluntary program. However, there is no upfront cost to the City for introducing the program. In this case, revenue would only be forgone if eligible projects used the program to provide or preserve affordable units.

Pros and Cons

Pros:

- MUPTE is a tool that can be used for mixed-income development that supports Tualatin's workforce between 60-80% of area median income (AMI)
- Although Tualatin has not seen much new multifamily development in the past decade, this tool could be used to incentivize developers to the area.
- The City can exempt its own taxes without any other taxing districts approval, and potentially extend the benefit to all taxing districts if school districts sign on. However, this will not likely be a strong enough incentive with only the City participating.

Cons:

- Depending on the City's requirements for the duration of affordability, building owners will most likely use the program as long as they apply and then raise rents to the market rate when they expire. Although this helps achieves affordability goals short term, it may have negative long-term implications for tenants.
- City could be the only entity monitoring compliance with income and rent restrictions on an otherwise market-rate property.

Summary of MUPTE Analysis for Tualatin

Estimating Forgone Tax Revenue

Methodology Overview

To estimate the value of the MUPTE incentive for developers, ECONorthwest analyzed its benefit relative to the cost of rent discounts, using an assumption that rents would be set to be affordable to households earning 80% of Area Median Income (AMI). We used example multifamily developments that were recently built in Tualatin and Tigard, which were selected as the most comparable new market-rate buildings in the past five years (2017-2022).

The example we used for testing the incentive is a multifamily development. While MUPTE could be applied to middle housing (e.g. triplexes), most smaller-scale middle housing development is unlikely to allow for efficient administration of income qualification within a mixed-income project.2 The example property is a 180-unit development, 3-story development with a clubhouse, pool, and fitness center. To reach 20% of units affordable at 80% of AMI, this example would have to provide 36 income-restricted units.

Example 1 was used to test these results on the most recent multifamily development within Tualatin. Estimated market rents and the difference with 80% AMI rents are listed in Exhibit 1.

Exhibit 1. Estimated Market Rents by Example Property and Market Area and 80% AMI Rent
Source: ECONorthwest, based on data from CoStar, HUD, and Washington County

Unit Type	Residential Market Rate Rent*	80% AMI Max Rent**	Rent Discount to 80% AMI	Share of Discount to Market Rent
Studio	$1,780	$1,477	$303	17%
1BR	$1,926	$1,578	$348	18%
2BR	$2,596	$1,833	$763	29%
3BR	$2,763	$2,174	$589	21%

* Market rents are based on current asking rents for comparable properties, adjusted for an assumed 6% increase to next year.
*Affordable rents are based on 2022 Washington County maximum rents by income level and unit size for Low Income Housing Tax Credit projects,[3] adjusted for a water, sewer, and garbage allowance and an assumed 3% increase to next year.

Results

Exhibit 2 illustrates the value of the abatement (the combined navy and turquoise positive bars) compared to the foregone revenue from below-market rents (shown as an orange negative bar), and the net benefit to the developer (shown as a yellow dot and line).

These analysis indicates that in Year 1, the value of the abatement from all taxing districts would likely exceed the rent loss from the affordable units if all taxing districts participate,

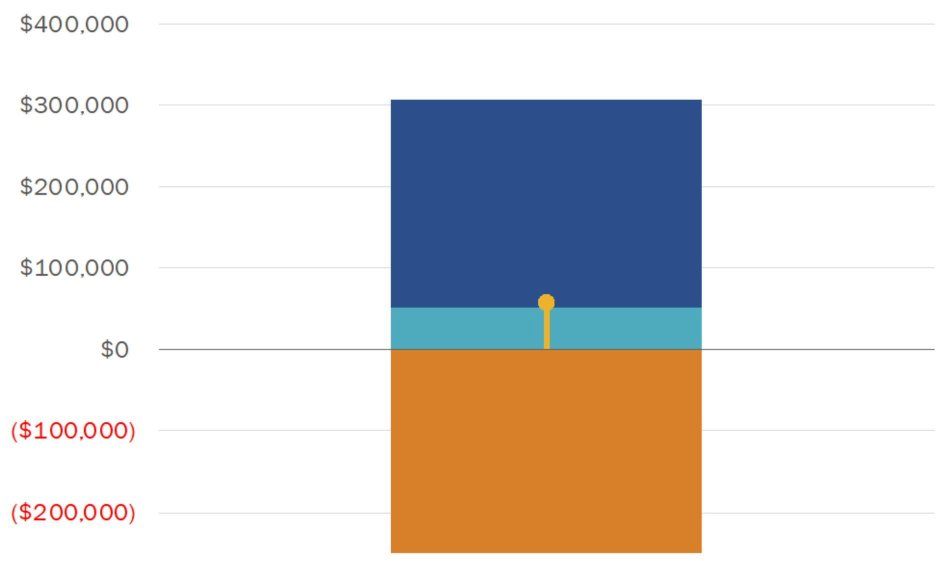
[2] The improvement value for each example property was available from Washington County assessor data; although part of Tualatin is in Clackamas County, all the properties examined here fall in the Washington County side.

[3] https://www.oregon.gov/ohcs/compliance-monitoring/Documents/rents-incomes/2022/LIHTC/Washington.pdf

exempting a total of roughly $307,000 in the first year. The total rent discount is estimated at roughly $249,000 in year one, offering a net benefit to the developer of roughly $58,000 in increased net operating income (NOI).

If the City were to allow MUPTE participants to allocate any units in the building to meet 80% AMI affordability criteria, it would increase the incentive and potentially encourage more developers to participate in the program. The unit mix of the example development is not the most advantageous for maximizing the benefits of MUPTE. Of the 180 units in the building, 102 are 2-bedroom apartments, which equates with the largest rent discount to 80% AMI at a loss of $763 per unit (a higher share of market rent than larger 3-bedroom units). Even though the incentive is applied evenly across all unit types in the building, there is a higher share that fall into this higher discount difference.

Exhibit 2. Tax Abatement Value vs. Foregone Rent (Year 1) for Example Development



	Example 1
Other districts' portion of abatement	$255,327
City portion of abatement	$51,822
Difference in Net Operating Income from units at 80% AMI (Year 1)	($248,886)
Net benefit to developer of tax abatement with affordability (Year 1)	$58,262

Revenue impacts may change over time. Over time, property taxes (and the value of the abatement) will most likely grow at 3 percent per year.[4] Based on this projection, the total value of taxes abated over 10 years would be approximately $3.07 million if all taxing districts were

[4] This is due to Oregon's property taxation system, which caps the increase in taxable value at 3% per year unless major improvements are made to the property.

included. Rent may grow at a similar rate but rent growth will vary from year to year and is less predictable. In the near future, it is likely to grow at more than 3 percent per year given recent trends, though this may slow over time. In addition, the allowed rent for the income-restricted units will change over time as the AMI determined by the US Department of Housing and Urban Development changes.

As a result, the net value of the abatement may change over the life of the program. If the net benefit is negative to start, there is a likely chance that the value of the abatement may not exceed the foregone revenue in the future. A longer affordability period means greater unknowns about how the foregone rent will change over time.

Other Considerations

Coordination with Other Taxing Districts: The City represents only about 17 percent of the overall tax rate, meaning that if that were the only portion included in the abatement it would generally not provide a sufficient incentive. The Tigard-Tualatin School District's support along with the City would be enough to apply the tax abatement to all taxing districts as their share totals about 45 percent of the tax rate.[5] The school district previously supported the Nonprofit Low Income Rental Housing tax exemption program in Tigard, but the City would need to seek their support for this or other additional tax abatement programs.

Administrative Effort: For market rate developers, participating in an income-restricted program may add significantly more administrative effort to maintain compliance. Verifying tenant incomes, reporting, and monitoring can take additional capacity beyond what would typically be needed for a non-regulated building. If benefits from the abatement program increase the net operating income, this may offset the burden of administrative needs.

Program Design: The specific design of a MUPTE program may change developers' willingness to participate in a voluntary program. Flexibility with requirements may be effective in allowing developers to choose an optimal approach, while still providing clear enough guidelines that ensure public benefits.

If affordable units must be distributed across all unit sizes, developers cannot meet the requirement by simply providing smaller units where market rents would meet or nearly meet the affordability requirements. For example, studio or 1-bedroom units are both a lower overall discount for affordable units relative to market rate prices and a lower share of the market rate rent lost compared with 2-bedroom units. (ECONorthwest's analysis assumes that the affordable units are distributed across unit sizes consistent with the overall unit mix).

If the affordable units can be designated as specific units within the building, the developer can also economize on finishes (e.g., laminate countertops vs. granite) to mitigate the reduced rent

[5] https://www.co.washington.or.us/AssessmentTaxation/upload/2020-Summary-Book.pdf

from those units. What features are economized and their impact on livability in a unit also has potential equity implications for the program.

Example Multiple Unit Housing Tax Exemption Programs

A number of cities have implemented programs under the multiple unit housing statutes summarized above (ORS 307.600 to ORS 307.637), though the program names vary between jurisdictions, including:

- **Newport,** where the City refers to its program as the Multiple Unit Housing Property Tax Exemption (MUPTE).
    - **Applicability:** MUPTE applies to projects with 3 or more units (or renovation projects that add 2 or more units) within certain zones that are located within a quarter-mile of bus service. Projects must meet green building and affordability requirements. To meet the affordability requirements, projects may provide 20% of units at 80% of AMI or below, 10% of units at 60% of AMI or below, or make an in-lieu payment equal to 10% of the total property tax exemption.
    - **Administration**: The application process includes submitting a proforma for review by a third party to show a need for the exemption. Once approved, property owners must sign a Regulatory Agreement that is recorded against the title and submit annual documentation of tenant income and rents for the affordable units to the City's Community Development Department.
- **Portland,** which refers to its program as the Multiple-Unit Limited Tax Exemption (MULTE) Program.[6]
    - **Applicability:** MULTE is currently paired with Portland's Inclusionary Housing (IH) requirement. Projects must have a minimum of 20 units (the same threshold for the IH program). For projects within the Central City Plan District that meet a minimum floor area ratio (FAR), it applies to 100% of the residential portion of the improvement value, including residential parking. For other projects, the City limits the exemption to the affordable portion of the project. At least 5% of the affordable units must be adaptable for ADA accessibility, and the affordable units must be distributed evenly by bedroom size within the project. While the affordability restriction period is for 99 years, the City limits the exemption to 10 years.
    - **Administration:** Applicants must provide project information and basic financial information to calculate the value of the exemption, but do not need to provide a pro forma because the financial need is demonstrated by the City's calibration of their IH program. During the compliance period, projects must provide tenant income and rental data annually.

---

[6] All program details from City of Portland, "Multiple-Unit Limited Tax Exemption (MULTE) Program Interim Administrative Rule," https://www.portland.gov/sites/default/files/policies/hou-3.02-multiple-unit-limited-tax-exemption-multe-program.pdf

    - **Program cap:** The City imposes a rolling cap on foregone revenue of no more than $15 million within a 5-year period, except for projects located within an urban renewal area. Projects within an urban renewal area require approval from Prosper Portland and the City's Debt Manager.

- **Salem** calls their program the Multi-Unit Housing Tax Incentive Program (MUHTIP).[7]

    - **Applicability:** Can apply to projects with at least two dwelling units located in the downtown core. Projects must include at least one public benefit, though these are discretionary and include a range of options including recreation facilities or common meeting rooms, daycare facilities, ground-level commercial space, special architectural features, and "Units at sales prices or rental rates which are accessible to a broad income range of the general public."[8] Projects with 100 or more units must provide at least 15% of units affordable at 80% of AMI or below, or at least two public benefits.

    - **Administration**: Applicants must attend a pre-application conference and submit project information. Applications are reviewed by other city departments and the City Council.

Conclusions and Next Steps

- The program configuration of 20% of units at 80% AMI could provide a net benefit to developers if the tax abatement applies to all overlapping taxing districts. However, the city's rate alone is insufficient to provide an incentive.

- MUPTE may offer a greater incentive for development of smaller studio or 1-bedroom units because these units have a smaller gap between market rate and affordable rents. This could make it a potential tool to align with the City's goals around providing senior housing or generally meeting the needs of smaller 1-to-2 person households.

- If the City is unable to garner sufficient support from overlapping taxing districts, the City could explore pairing it with other incentives that reduce development costs (such as system development charge exemptions). However, in order to be layered with other incentives, those programs would also have to include mixed-income development projects in their eligibility criteria.

- If the City is the sole party providing funding or financial incentives in exchange for affordability, as is likely for a mixed-income development by a market-rate developer, the City would need to take on monitoring and enforcement or find a partner to take this on. Property managers would also need to income-qualify applicants for the affordable units.

---

[7] All program details from City of Salem, "Multi Unit Housing Tax Incentive Program," https://www.cityofsalem.net/pages/multi-unit-housing-tax-incentive-program.aspx

[8] Salem Revised Code: *SRC 2.815* (c).

- The City could reach out to the Washington County Housing Authority to see if the County would be willing to provide administrative support for the program.

ECONorthwest
ECONOMICS • FINANCE • PLANNING

DATE: September 23, 2022
TO: City of Tualatin
FROM: ECONorthwest
SUBJECT: Summary of System Development Charge Exemption Analysis

The City of Tualatin is considering a range of strategies and actions to fund and implement the goals from its 2021 Housing Production Strategy. To understand the potential trade-offs of implementing these strategies in Tualatin, this memorandum describes what each strategic action is and how it works. In addition, it summarizes an analysis of the potential impacts of implementing each action. The final section outlines potential next steps for the City of Tualatin to consider.

System Development Charge Exemptions

Overview

System Development Charges are one-time fees for new development and certain types of redevelopment that help pay for increased loads on infrastructure systems. These charges are a way for local governments to pay for public facilities like sewer, water, transportation, and parks. SDCs are designed to vary with the magnitude of development impacts, but this can be calculated in a variety of ways depending on the service with which they are associated; for example, water SDCs are often measured by the size of the meter needed, not by the number of dwelling units, square footage, or valuation of the building.

New Development Charges in Tualatin: SDCs are a part of the fees that new developments pay to service districts. Rates for SDCs in Tualatin are different based on these districts. The table below summarizes the rates for these charges are in Tualatin. (*indicates that a line shows a charge that is a different type of fee, not an SDC)

Service District	Rate
Metro Construction Excise Tax (CET) *	0.12% of valuation
Transit Development Tax (TDT)	$6,542 / unit
Parks and Recreation	$6,371 / unit
Schools CET (Tigard-Tualatin District) *	$1.45 / sq ft.
Sewer	$7,266 / unit
Water	Varies by meter size

While SDCs are primarily intended to be based on impact, some jurisdictions in Oregon offer exemptions or reductions in system development charges (SDCs) for specific types of development based on local policies. Some jurisdictions offer exemptions or reductions for regulated affordable rentals, deed-restricted affordable homeownership, and/or accessory dwelling units. This memo focuses on analysis for a potential SDC exemption for regulated affordable housing in Tualatin.

Lowering SDCs for affordable housing projects can help to make development more feasible by lowering upfront building costs. Typically, affordability requirements are put in place for a period of time, with the level of affordability and duration of requirements varying by jurisdiction. For rental units or affordable homeownership this can include annual reporting requirements or deed restrictions respectively to ensure compliance. Jurisdictions set their own standards for these requirements, like program caps that may set a limit on how much the city can forgo per year.

Generally, cities can only exempt the SDCs that they control, not those controlled by special districts or other service providers.

Some cities "backfill" the lost revenue by paying the lost amount from other specific funding sources allocated to fill the gap. In other cases, cities simply forego SDC revenue for exempt projects. Whether a city backfills revenue or not depends on local determinations.

Fiscal Impacts/Who Pays

The City of Tualatin has limited control over SDCs because most of these charges are collected on behalf of other service districts and providers. These entities determine their own rates and fee structure. However, the City does control Parks and Water SDCs.

ECONorthwest's analysis in the Tualatin Housing Production Strategy identified the Parks SDC as the most promising option for implementing an exemption (this charge recently went through a review and update process). The Water SDC is based on meter size, which makes it difficult to predict what new buildings will pay, especially for multifamily projects. An exemption for Parks would theoretically mean forgone revenue for the City's Parks and Recreation Department or the need to identify another funding source to backfill the funding gap. However, if projects are only feasible with the SDC exemption, this may be revenue that the City would not have collected regardless.

The City does not control TDT (Transportation Development Tax), which is a voter-approved charge imposed on new development and redevelopment within Washington County. This charge helps to pay for the impact development has on the transportation system.

Pros and Cons

Pros:

- Tualatin would be able to set its own qualifying standards for development to use the SDC exemption, allowing the city to target the kind of units it most needs in terms of apartments vs. single family homes, AMI level, and duration of affordability.
- SDC exemptions have been successful in other jurisdictions in Oregon, including Portland, Tigard, Eugene, and Bend. Some backfill forgone revenue using a variety of local funding options while others do not.
- The City has the flexibility to control whether it wants to implement a program cap that could avoid excessive forgone revenue in Tualatin, depending on the estimated gap created by projected participation in the program. Like the nonprofit tax exemption, revenue would not actually be forgone unless affordable housing projects are built which qualify for the desired criteria. If implemented, considerations for how projects are chosen should be clear and based on an application process.

Cons:

- Tualatin only has control over Parks and Water SDCs. TDT and sewer/stormwater SDCs are collected for other service providers, restricting the City's ability offer an exemption.
- It is difficult to estimate what the cost of Water SDCs will be for multifamily buildings, giving the City less certainty about the impact of an exemption program. Since the charge is based on a fixed water meter size, this incentive also does not scale easily with more units the way that Parks and other SDCs do. This would require careful consideration for lost revenue and how it could be backfilled when there is only a very rough approximation that is subject to variation.
- Most other jurisdictions in Oregon that have offered SDC exemptions have included more than one. It is possible that only exempting the Parks SDC would not provide a strong enough incentive to encourage development, though for regulated affordable housing it will still likely provide some assistance for existing plans.

Summary of the SDCs in Tualatin

Estimating Forgone Revenue

Methodology Overview

To estimate the potential impact of providing an SDC exemption for Tualatin, city staff provided data on the new development charges estimated for an affordable housing project currently undergoing land use review. The example site is planned as a 116-unit housing development split between two 4-story wood-framed residential buildings, with a freestanding community center located on the site that includes additional resident services and offices.

ECONorthwest used the rates for this example site and confirmed that they aligned with the most current rates through public facing information as of July 2022 from the City and Clean Water Services. Exhibit 1 shows the rate schedule and its total estimated costs that they created for the sample building. Some of these charges are calculated by unit, including Transit Development Tax, Parks, and Sewer. Other charges are calculated by specific measurements, including total valuation or building area.

Exhibit 1. Summary of New Development Charges for Sample Multifamily Development

Source: City of Tualatin

Note: There is a cap on the amount that the Metro or Schools CET can charge on new development. Metro's CET will not collect more than $12,000 per project, while the Tigard-Tualatin CET caps at $36,100 for nonresidential development only.

Charge Category	Rate	Cost	Per Unit Estimate
Metro Construction Excise Tax (CET)	0.12% of valuation	TBD	N/A
Transit Development Tax (TDT)	$6,542 / unit	$758,872	$6,542
Parks (City)	**$6,371 / unit**	**$739,036**	**$6,371**
Schools CET (Tigard-Tualatin)	1.45 / sq ft.	$175,035	$1,508
Sewer (CWS)	$7,266 / unit	$842,856	$7,266
Water (City)	**One (1) 4" water meter**	**$132,634**	**$1,143**
Total		**$2,574,077**	**$22,190**

System Development Charge Rates

In addition to this building's SDCs, we also used the rates listed in Exhibit 1 to generate estimates for three other recent examples of comparable affordable multifamily buildings. While we were able to gather information about each building's valuation, unit number, and square footage, we relied on the per unit estimate from our example building for the water SDC.

School district rates may also vary throughout Tualatin. The example building used is located in the Sherwood School District, which as a rate of $1.39/sq ft. rather than $1.45. For this model we used $1.45/sq ft. because that is consistent with the other three of the four school districts covering the city. Some school districts also include caps on what they charge development. This includes Tigard-Tualatin which has a non-residential maximum of $35,000.

In our analysis the example building, which is not yet completed, there was not yet a permit valuation publicly listed from the Washington County Assessor. Since this was not available to generate the likely charge from Metro CET, it is lower than the developer is likely to pay, but we were able to include this in all other buildings analyzed.

There is a wide range in these values based on the number of units, unit mix, location, and other features. For example, although the total estimate for The Fields is much higher than the other buildings analyzed, this building contains more units. Exhibit 4 shows a rate per unit that is closer to that of other recent affordable housing developments.

Exhibit 2. Total Estimated New Development Charges in Comparable Buildings
Source: City of Tualatin, ECONorthwest Analysis

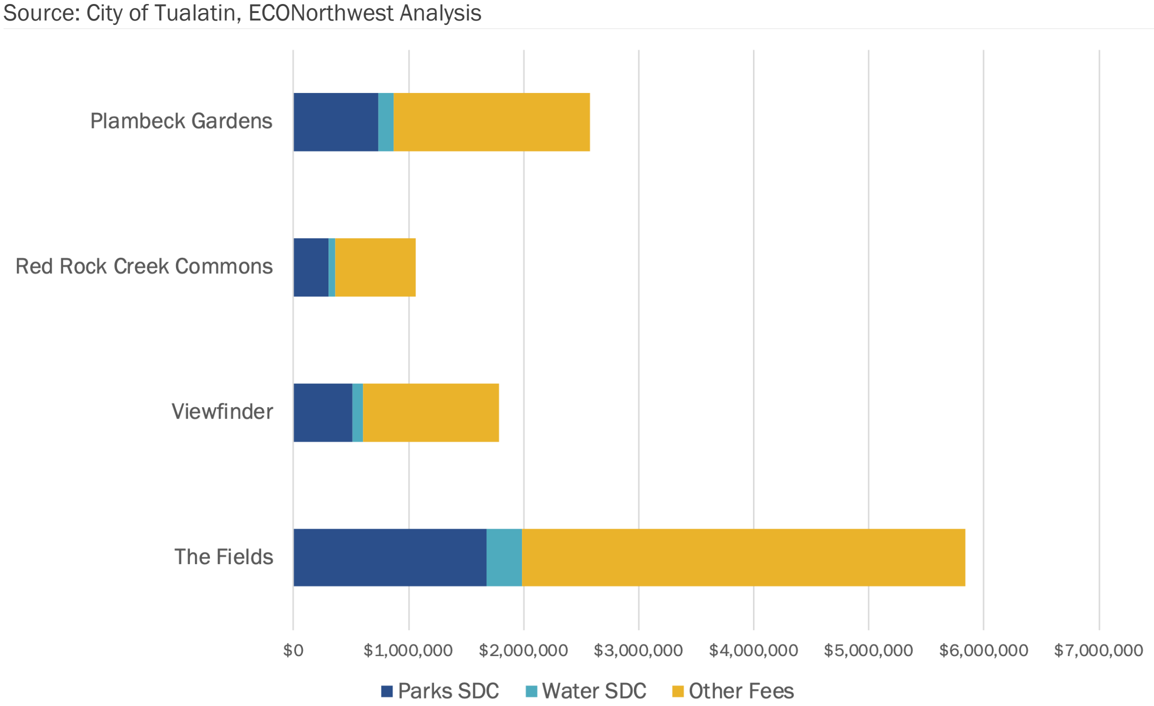
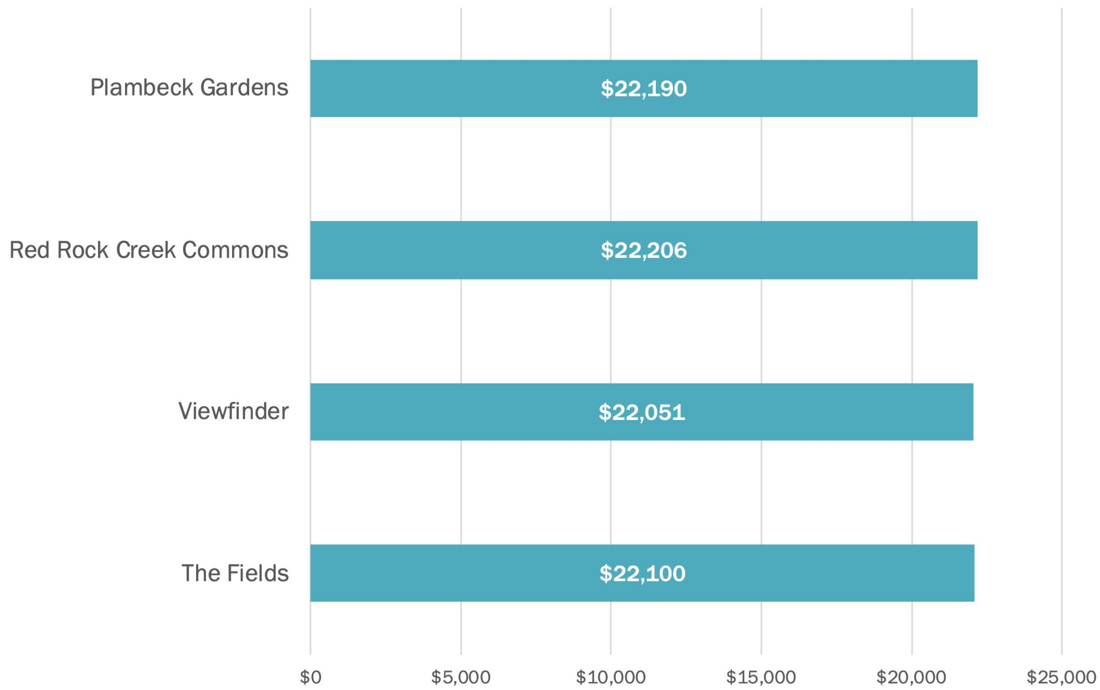


Exhibit 3. Detail of Total Estimated New Development Charges in Comparable Buildings
Source: City of Tualatin, ECONorthwest Analysis

	Plambeck Gardens (116 units)	Red Rock Creek (48 units)	ViewFinder (81 units)	The Fields (264 units)
Parks SDC	$739,036	$305,808	$516,051	$1,681,944
Water SDC	$132,634	$54,883	$92,615	$301,857
Other Fees	$1,702,407	$705,186	$1,177,498	$3,850,588
Total	$2,574,077	$1,065,877	$1,786,164	$5,834,389

Exhibit 4. Total Estimated System Development Charges Per Unit in Comparable Buildings
Source: City of Tualatin, ECONorthwest Analysis



Results

For these comparable multifamily buildings, the value of all SDCs ranged between $705,000 to $3.8 million (Exhibit 2). However, when controlled for the number of units in each building, the cost of SDCs had very little variation. This may be in part because four of the six SDC rates are calculated at a flat rate per unit, putting costs for all four buildings around $22,000 for each apartment. Of these total costs, the Parks SDC accounted for a greater share of the total SDC amount than the Water SDC in each building.

Since the Parks SDC is a flat rate per unit in multifamily buildings, it can be easily measured by the number of units. If the City had offered an exemption for Parks SDCs during this period for the example building, it would have foregone roughly $739,000 in revenue ($6,371 per unit). Applied to a hypothetical new multifamily development, this exemption would translate to $667,100 in forgone Parks revenue per 100 units in an affordable development. Water SDC rates are more difficult to measure consistently for hypothetical buildings, but based on an average for the example, this would roughly equate to $114,300 in forgone Water SDC revenue per 100 affordable units. The Parks and Water SDC exemptions combined would equal $7,514 per unit.

If an SDC exemption were to be used for developing affordable single-family residential units, the City applies a flat rate of $8,133 per unit for the Parks SDC which would be forgone. Although Water SDCs can be difficult for multifamily buildings, it may be easier to offer this incentive for single family affordable homeownership. Typical new homes require between a 5/8"-3/4" water meter, which costs a flat rate of either $5,306 or 7,958 in Tualatin as of the City's 2022 rate schedule. If the City were able to offer both Parks and Water SDC exemptions for affordable homeownership projects, the forgone revenue would be between $13,439-16,091 per unit depending on water meter size. Regarding just Parks (the most likely charge to be exempted) forgone SDC revenue is 22% higher per unit for single family homeownership than it is per unit in a multifamily building.

Fiscal Requirements

Requirements to backfill exempted SDCs vary by jurisdiction in Oregon depending on local determinations. If Tualatin were to pursue this strategy, first steps would need to include setting up a conversation about legal requirements. Based on an initial assessment it is likely that the City would have to find a source to backfill forgone revenue for Parks and Water.

A number of cities have implemented SDC programs with different configurations of city and participant requirements:

- **Tigard** provides exemptions for the local Transportation and Park SDCs for regulated affordable housing that serves households earning 80% of MFI or less. The exemption can be used for rental or for sale housing, but affordability restrictions must last for at least 20 years. There is no program cap or backfill.

- **Eugene** offers an SDC exemption of all charges except the Metropolitan Wastewater Management Commission (MWMC) regional wastewater fees. This program is for rental and affordable homeownership affordable housing developments. For rentals, units must be affordable to households at 60% of MFI for at least five years. For homeownership, they must be affordable to households at 80% of MFI or less for at least five years. Eugene's exemption is backfilled using local funds, which is capped at $372,280, to be split evenly between rental and homeownership applicants.

- **Bend** offers a forgivable loan for City Transportation, Water, and Sewer SDCs. This is available for affordable rental and homeownership housing that is deed restricted. The program can be used for projects affordable to households at 80% of MFI or less for at least five years.[1] Bend backfills the program using local funds and the program initially had a cap and projects were selected on a competitive basis.
    - The program is structured as a forgivable loan at 6% interest per annum for 5-year installment loans or 7% for 10-years. If the property owner leaves the program or is

[1] Bend City Code 12.10.120(C)(1-2)

out of compliance, the SDCs must be paid back with interest. Applications are reviewed by the Affordable Housing Advisory Committee on a rolling basis.[2]

Conclusions and Next Steps

- The City should consider this exemption as a method to help close gaps for affordable multifamily housing development. Although it is possible to offer for affordable single-family homeownership, the benefits are multiplied when used for larger developments which have higher total upfront system development charges. To ensure compliance with either type of housing, the City could also include deed restriction agreements for developers or property owners.
- To implement this action, the City should begin a conversation with the Parks and Recreation Department and Public Works Department as well as consulting with an attorney to understand the impact to their revenues and any requirements for backfilling. In addition, the City should consider steps to identify backfilling sources either from the general fund, another local funding source, or other tools examined in this project that generate revenue for affordable housing development.
- In addition to an outright exemption, the City could consider a deferral program where developers or homeowners can pay SDCs later in the development process (for example at certificate of occupancy), but this would likely require a higher level of staff capacity.
- An SDC exemption would work more efficiently alongside some tools than others. Projects funded by Low Income Housing Tax Credits (LIHTC) will not receive as strong of a benefit from an exemption because of the reduction in eligible costs used to calculate equity for those projects.

[2] https://www.bendoregon.gov/government/departments/economic-development/affordable-housing-program/developer-resources

ECONorthwest
ECONOMICS • FINANCE • PLANNING

DATE: October 4, 2022
TO: City of Tualatin
FROM: ECONorthwest
SUBJECT: Urban Renewal Districts – Affordable Housing Funding Opportunities

The City of Tualatin is considering using urban renewal to support housing production, as part of a range of strategies and actions to fund and implement the goals from its 2021 Housing Production Strategy. This memo describes the potential trade-offs of implementing urban renewal districts in Tualatin and summarizes an analysis of the potential impacts of implementing each action. The final section outlines potential next steps for the City of Tualatin to consider.

Urban Renewal Districts

Overview

Urban renewal districts in Oregon are authorized by the state in ORS Chapter 457 and implemented by local jurisdictions. State law specifies requirements for a city to create an urban renewal agency, which can then create plans for areas that are officially designated as 'blighted' by a local governing body (either the city or county).

Urban Renewal Districts: Areas where a local urban renewal authority has created a plan for new public investments. Tax increment financing (TIF) revenues generally pay off bonds used for catalytic improvements like parks, infrastructure, commercial development, or affordable housing.

How does tax increment financing work?

Urban renewal districts use tax increment financing (TIF) to fund strategic public investments intended to spur more development in designated areas. This tool works by leveraging future growth for new catalytic projects through bonds. When the plan is adopted, the total assessed value for properties in the boundary is 'frozen' for the plan's lifespan. Taxes from that original base continue going to the taxing jurisdictions at the time of adoption at that base rate. The growth in tax revenue above the base is called the 'increment,' which goes to the urban renewal agency to be used for funding projects within the plan area. Agencies most often use bonds to begin projects, then when new development in the urban renewal area leads to an increase in property value and more tax revenue, the agency uses it to pay the bonds with TIF dollars.

When the bonds are paid off and the plan sunsets, the entire valuation of the district is returned to the general property tax rolls.

What urban renewal areas exist in Tualatin?

In 2021, the City of Tualatin adopted the new Southwest and Basalt Creek Development Area. There is also a proposal for a North District area which encompasses parts of Bridgeport Village, Town Commons, I-5 Corridor and Tualatin-Sherwood Road area. While much of the land included in these two areas is planned for industrial and commercial use, portions of the potential new districts are also planned for residential or mixed-use development. These could be appropriate locations for new affordable housing rehabilitation or mixed-income housing funded by increment revenue.

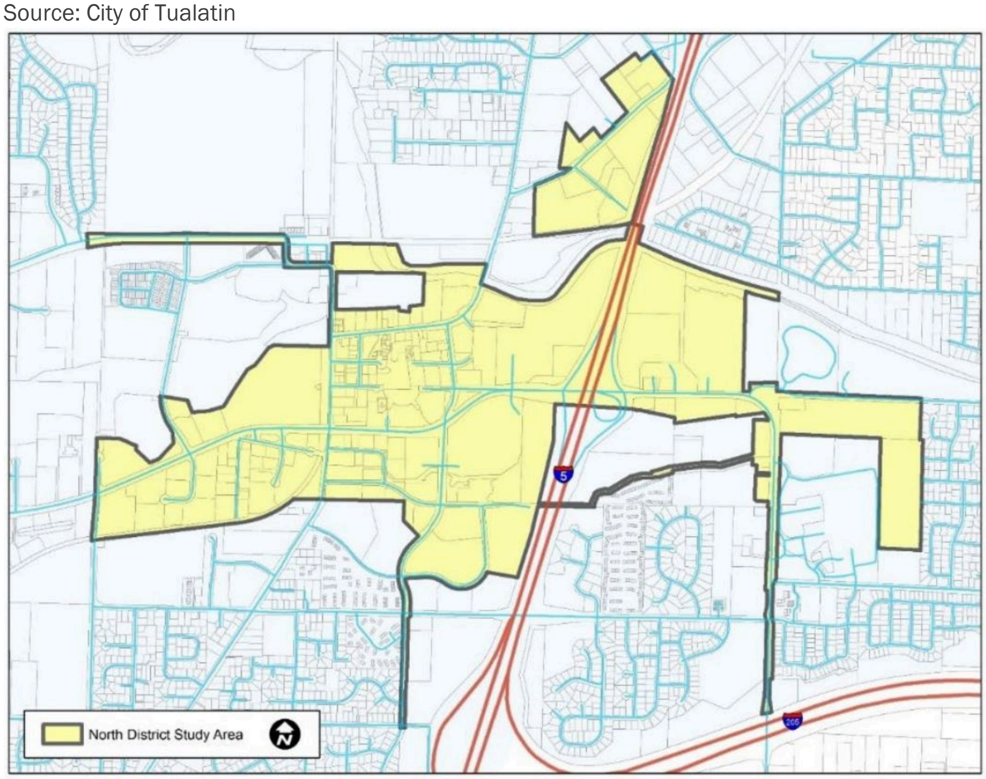
Development Area Boundaries

The City would only be able to use TIF revenue within renewal plan areas, though there may be flexibility for revenue generated within one district to be used in another urban renewal area.

The City's proposed **North District**[1] comprises Bridgeport Village, Town Commons, I-5 Corridor, and Tualatin-Sherwood Road. It could be a potential site for investment in affordable housing through TIF. The Agency has not finalized the boundaries or adopted the plan, leaving more room for including explicit goals around affordable housing. Like the City's other urban renewal areas, the North District contains large amounts of industrial and commercially zoned land, but it does have portions for residential use where projects could be located.

Although majority of land exclusively zoned for residential use in the North District is already developed, there could be potential for denser or mixed-use housing development in Downtown. Exhibit 1 shows the proposed boundaries for this plan area, though it has not yet been finalized.

Exhibit 1. Proposed Urban Renewal Area Plan Boundaries for the North District
Source: City of Tualatin



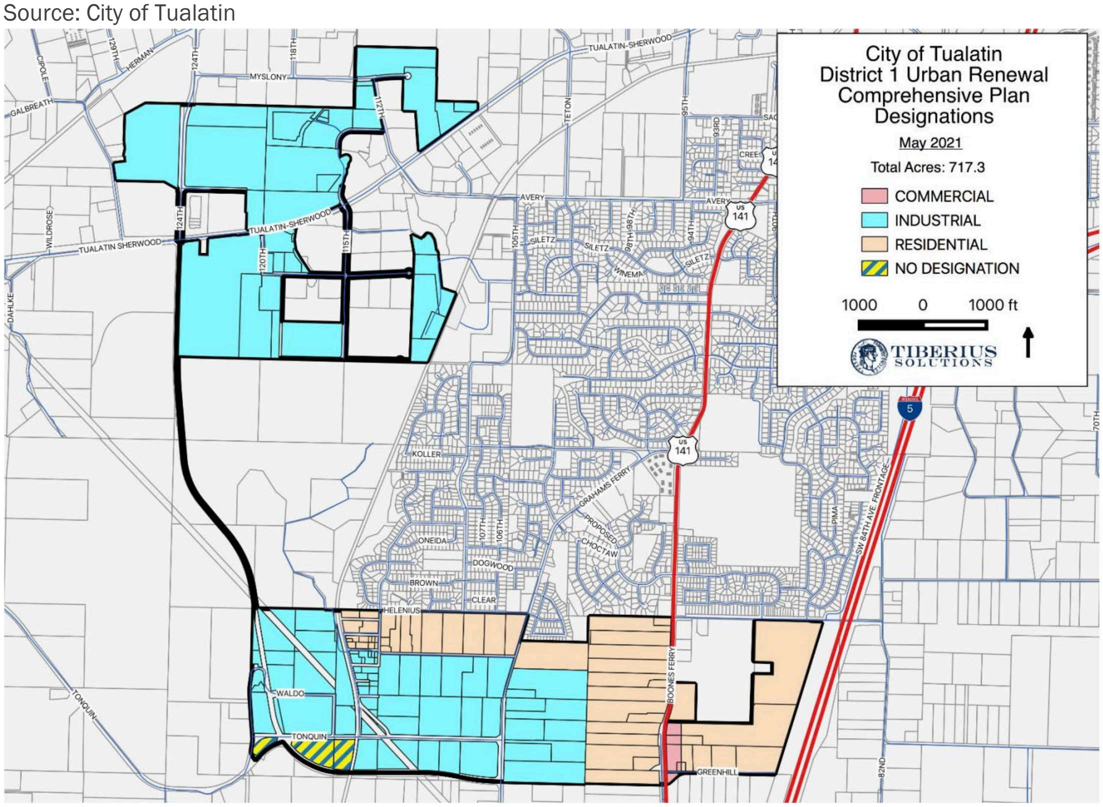
[1] This district has been referred to with several names during its development, including the 'I-5 Corridor' and 'District 2.'

Exhibit 2 and 3 shows the boundaries for the **Southwest and Basalt Creek Area** and its comprehensive plan designations. While a part of the area is residential, large portions are zoned for industrial or commercial uses which could limit the actual area where affordable housing investments could be made. The residential zones in Southwest and Basalt Creek are focused in the eastern part of the proposed district, near I-5. Many of the lots that would be eligible for the use of urban renewal funds are already developed and not available for new construction.

Within the Southwest and Basalt Creek Plan Area, Community Partners for Affordable Housing (CPAH) owns a parcel. CPAH was a part of the Task Force Advisory Board for developing the plan, which included infrastructure provisions that benefit affordable housing and other housing development within the plan boundaries.

Exhibit 3. Urban Renewal Plan Area Boundaries and Comprehensive Plan Designations in Southwest and Basalt Creek Plan Area

Source: City of Tualatin



The area of Tualatin's existing **Leveton Tax Increment Plan** is almost entirely designated for commercial and industrial use, with only a small corner designated for high density residential. While the plan stresses compatibility with adjacent residential areas, it does not explicitly include initiatives or goals around housing. To use TIF funds in this area, the City would need to update their plan with objectives around housing but would be limited to a relatively small area for implementation.

What kinds of housing projects can TIF fund?

Designating TIF dollars from urban renewal for affordable housing is a way for the City to directly provide funding for affordable housing. While regulated affordable housing is often tax exempt and does not generate additional tax revenue, some jurisdictions allocate a portion of TIF revenues to fund affordable housing development to support equitable development within the designated district. TIF can be invested in the form of low interest loans and/or grants for housing projects or a variety of capital investments. There are other restrictions that make it difficult to use TIF funding for operations and it is typically directed towards construction and capital projects such as multifamily development, rehabilitation, or supportive utilities.

How much money is available?

There are two potential urban renewal areas where Tualatin could consider using tax increment financing (TIF) revenue to support affordable housing projects. These include the Southwest and Basalt Creek Development which was established in 2021 and the proposed North District.

The Southwest and Basalt Creek Development potential total TIF revenue over 30 years is estimated to be between $28.4 million and $55.5 million, depending on future growth in assessed value in the area. The plan for this area includes objectives for affordable housing, including a parcel owned by Community Partners for Affordable Housing (CPAH).

The North District's potential total TIF revenue over 30 years is estimated between $248.2 and $362.7 million based on three different growth scenarios detailed in a 2021 report, though this area has not yet been adopted by the City.

Each urban renewal area has a maximum indebtedness that caps the total amount that projects can access.

Exhibit 2. Urban renewal areas in Tualatin

	Leveton	Southwest and Basalt Creek	North (proposed)
Year established	2002	2021	TBD
Potential TIF revenue (30 years)	Undefined	$28.4 - $55.5M	TBD
Maximum indebtedness	$36.4M	$13.6 - 26.2M	TBD
Affordable housing considerations in the plan	None	Language on increasing housing options	TBD

Where can TIF be used?

The Agency must use TIF funds within the boundaries of the plan district. There may be some possible exceptions for utilities located outside of the district that serve the urban renewal area. If there is a citywide program, TIF funds may be used as the funding source for it in the specific urban renewal area if projects align with plan goals.

Considerations

Pros and Cons

Pros:

- Urban renewal revenue is the city's largest locally-controlled funding source that could be available to support affordable housing development through direct project subsidies, land write-downs, and infrastructure enhancements.
- The City is already in the process of creating a new urban renewal district. These plans could include explicit goals for incenting affordable housing or adopt housing unit development targets. The agency could use these goals in its investment criteria in the district.
- The City can use TIF revenue to ensure affordable housing is available in districts as properties appreciate due to investments in the urban renewal area. Including affordable housing investments as part of a comprehensive set of infrastructure enhancements can help to mitigate potential displacement when the district grows.

Cons:

- In many cases, affordable housing projects are tax exempt, and therefore do not contribute to the growth of tax increment revenues. Investments should be made with this trade-off in mind.
- TIF can only be used in areas already designated for urban renewal. These may not necessarily be areas that have the highest need, ideal transportation options, or proximity to jobs.
- In the currently active TIF areas (Leveton, Southwest and Basalt Creek) in Tualatin, the majority of the land is zoned for industrial or commercial use rather than residential development, limiting the area where urban renewal funds could be used.
- Investing over $750,000 in TIF (or any public funds) directly into a new or renovated privately developed project triggers prevailing wage requirements. Prevailing wages are specific local rates set by the US Department of Labor by different types of construction projects funded by federal dollars, including fringe benefits. These can typically increase overall project costs by 10 to 20 percent for developers.
- Setting aside TIF revenue or using bonds for affordable housing projects means that that amount is no longer available to other projects in the district like infrastructure, parks, or commercial development.

Urban Renewal Areas in Tualatin

Examples of Other Urban Renewal Revenue Housing Programs

Other cities in Oregon have set aside tax increment funds for various local affordable housing initiatives in urban renewal areas. Some examples include:

- **Portland.** The City began using a 45% set aside of their tax increment dollars for new affordable housing for households at or below 100% of AMI in 2006. Although funds could still only be used within the boundaries of urban renewal areas, the policy set a minimum share of TIF revenue to be put towards affordable housing projects. In the first twelve years of implementation, the set aside policy generated more than $275 million in direct investment in housing affordable to low-income and workforce residents. In the years since, affordable housing investment has accounted for one-third of TIF expenditures across nine urban renewal areas in Portland. The set aside has provided capital resources for key projects like the Bud Clark Commons, Block 49 veterans housing in South Waterfront, and preservation of existing low-income apartment units. Funds have also been used for down payment assistance programs and home repairs throughout urban renewal areas.[2]
- **Tigard.** The City Center and Tigard Triangle Urban Renewal Plans included explicit goals to provide financial and technical assistance to targeted types of housing development. The City Center area has seen a 32% increase in multifamily housing since 2006, compared with a 25% increase in the rest of the city, while the Tigard Triangle has seen a 265% increase.[3] Although this progress is the result of multiple overlapping strategies, the urban renewal agency has contributed development assistance.

  In 2017, Tigard's Town Center Development Agency participated in a public-private partnership with Capstone Development to complete a 165-unit apartment building. Through the agreement, the developer team purchased the agency-owned property for its appraised value of $1.7 million, and the City provided an SDC waiver for the same amount to the developer to offset some of the estimated $2.8 million in SDCs incurred by the project. Since the project qualifies for a partial 10-year property tax reduction under the state's Vertical Housing program, some of the estimated $7.8 million in property taxes that would be generated over 20 years will be forgone.[4]
- **Redmond.** The local urban renewal agency provided $150,000 in gap financing in 2017 to fund Housing Works' 48-unit affordable housing project for seniors located in its Downtown Urban Renewal District. The building includes community space and a full-service 10,000 SF medical clinic. The total project cost was $12 million and included

[2] Portland Housing Bureau, "Importance of TIF Set-aside Policy," City of Portland, accessed August 2, 2022, https://www.portlandoregon.gov/phb/article/653603.

[3] Town Center Development Agency of the City of Tigard, "TIF District/Urban Renewal Financial Impact Report," January 31, 2022, https://www.tigard-or.gov/home/showpublisheddocument/2017/637792251216970000.

[4] Downtown Revitalization Projects- Downtown Tigard. http://www.tigard-or.gov/community/project_history.php

financing from Wells Fargo's Community Lending & Investment team. It includes one residential condo and six project-based HUD Section 8 voucher units.[5]

Conclusions and Next Steps

- The City should evaluate areas designated for residential use within its existing and potential urban renewal areas.
- The City should evaluate a potential setaside or other policy language as part of the implementation of its existing urban renewal plan.
- The City should evaluate including strong but flexible language in the upcoming North District plan that could support the use of TIF funding for affordable housing. By including affordable housing in the urban renewal plan, the City should identify whether it wants to set unit production and affordability targets over time or simply include affordable housing as an eligible project category.

[5] NOAH Project Profile: Cook Crossing. https://noah-housing.org/docs/project_profiles/Cook_Crossing.pdf

AGENDA

Tualatin Housing Implementation Plan: Strategic Equitable Housing Funding Plan Advisory Committee Meeting #3

11/16/2022

5:30 – 5:45 PM	**Review of Homeownership Assistance Programs** ▪ Program Types ▪ Considerations
5:45 – 6:15 PM	**Discussion of Additional Funding Sources** o Affordable Housing Trust Fund o Alternative Funding Sources
6:15 – 6:45 PM	**Equity Considerations** ▪ Demographic Overview ▪ Impacts
6:45-7:00 PM	**Next Steps**

ECONorthwest
ECONOMICS · FINANCE · PLANNING

DATE: November 2, 2022
TO: City of Tualatin
FROM: ECONorthwest
SUBJECT: Homeownership Assistance Analysis

The City of Tualatin is considering a range of strategies and actions to fund and implement the goals from its 2021 Housing Production Strategy. To understand the potential trade-offs of implementing these strategies in Tualatin, this memorandum describes what each strategic action is and how it works. In addition, it summarizes an analysis of the potential impacts of implementing these actions. The final section outlines potential next steps for the City of Tualatin to consider.

Homeownerships Assistance

Overview

This memorandum focuses on strategies that address housing stability for existing homeowners and current renters who wish to become homeowners. Keeping Tualatin an affordable place to live may require assisting existing residents with programs that help them stay in their homes. Alongside that, helping renters become homeowners can provide stability and the potential to build wealth.

Housing Rehabilitation: Older housing often needs improvements to continue to be safe and livable, which can be unexpected costs for some households.

Weatherization: Home improvements that make buildings more energy efficient to reduce utility costs and contribute to climate goals, as well as help to proactively extend the life of housing units for existing homeowners.

Down Payment Assistance: Some households may have the ability to pay for a mortgage but lack the savings necessary to pay for an upfront down payment on a house. Low-interest loans or grants can help households overcome this barrier to homeownership.

Rehabilitation and Weatherization Programs

Many available programs for rehabilitation and weatherization in Oregon target low- to moderate-income homeowners, typically for owner-occupied single-family dwellings or middle housing such as duplexes. Some of these tools can also be used for preserving existing affordable multifamily housing to benefit renters, but they typically do not apply to market rate buildings. Tenants typically do not have the same flexibility or incentive as homeowners to pursue rehabilitation or weatherization of their units, though some programs related to accessibility are available to individual renters. Here our analysis focuses on single households accessing programs directly rather than benefitting through a third-party owner making upgrades.

Rehabilitation programs typically serve low-income households, often those that have owned homes for a long time but need to make repairs to keep them up to the city code (including roof replacement, plumbing, and other critical needs). Many repair programs also cover accessibility upgrades such ramps, doorway modifications, or handrail installation for disabled residents.

For residents on a fixed income, large one-time repairs may not appear viable within their current budgets.

Weatherization assists households in proactively modifying their homes to reduce the cost of utility bills while increasing energy efficiency. Projects that these programs often cover include replacing windows, adding insulation, or upgrading heating and cooling systems.

Homebuyer Assistance Programs

Barriers to homeownership are often costs which are outside of regular monthly housing expenses (such as a mortgage and utility bills) that would figure into a household's budget. A down payment on a new home, physical upkeep work, weatherization, and accessibility additions can all become financial obstacles for residents who are otherwise able to afford housing costs but require a larger lump sum.

Typically homeownership programs are able to reach households at 80% of median family income, while rental programs are more efficient at targeting deeper levels of affordability.[1]

A variety of tools can be used to remove homeownership barriers for households by reducing upfront costs for purchasing a home (typically through loans or grants) or maintaining the quality of housing over time, allowing residents to remain compliant with local code.

The actions in this memorandum support stability for existing homeowners below the area's median income as well as support for more relatively low income households to become new homeowners. Potential tools associated with this strategy include low interest loans, publicly funded grants, and technical support for weatherization or healthy home projects.

Fiscal Impacts/Who Pays

Tools for homeownership assistance can come from a variety of local, state, and federal funds. They can be spread out to different grants, levies, bonds, and other sources, then streamlined into a single homeownership program. A local Affordable Housing Trust Fund could also be a mechanism that combines local contributions and supplies funding for such programs.

Some of the tools discussed in other memoranda for the Housing Implementation Plan that provide the city with revenue earmarked for affordable housing could also be used towards funding for rehabilitation programs and downpayent assistance (such as a new Construction Excise Tax). Urban renewal revenue typically cannot be used for downpayment assistance or is difficult to implement, but could potentially be used more readily for directly funding renovation work.

Exhibit 1 below provides a summary of four types of homeownership assistance programs with details about our findings from case study research. This includes who is served by each type of

---

[1] US Department of Housing and Urban Development, "The HOME Program: HOME Investment Partnerships," September 20, 2017, https://www.hud.gov/hudprograms/home-program.

assistance, the typical range of funding that is provided per household and potential funding sources that other programs in Oregon have accessed.

Exhibit 1. Summary of Homeownership Assistance Program Types
Source: ECONorthwest analysis

Program Type	Who is Typically Served	Typical Assistance Provided per Household*	Potential Funding Sources**
Down Payment Assistance	First time home buyers (current renters) below 80% MFI	$25,000-$110,000	US HUD (CDBG), OHCS (HOAP and CET), Community Frameworks
Home Repairs	Existing low-income homeowners at or below 80% MFI	$10,000-$50,000	US HUD (CDBG, HOME), OHCS funds (Repair Health and Safety Program), CET revenues
Weatherization	Existing low-income homeowners at or below 80% MFI	$10,000-$25,000	US HUD (CDBG, HOME), public purpose charges
Accessibility Improvements	Existing homeowners at or below 80% MFI, seniors, people with disabilities	$7,500-$10,000	US HUD (CDBG, HOME)

*These ranges are derived from case studies in this memorandum but not exhaustive of programs in Oregon
**If over $100,000 of state CDBG funds are used for administration costs they must be matched, but otherwise would not carry a matching requirement[2]

Pros and Cons

Pros:

- Providing accessible paths to homeownership through down payment assistance helps to stabilize existing renter households and provides them with the opportunity for long-term equity in their homes.
- Improving existing housing provides better environmental quality, is typically associated with lower carbon emissions, and ensures that older housing is consistent with the city code.
- Partnership between government entities and nonprofits has been successful for funding and administering homeownership assistance programs in Oregon, providing models that could be used by Tualatin. There are multiple programs already operating at the state and county level where the City could begin building new relationships.

[2] US Department of Housing and Urban Development, "State CDBG Program Eligibility Requirements," n.d., https://www.hudexchange.info/programs/cdbg-state/state-cdbg-program-eligibility-requirements/.

Cons:

- Staff capacity for administration or funds required to support nonprofit partnerships can be limiting factors for the scope of these homeownership assistance programs.
- Availability of grant funding and external sources may be unpredictable from year-to-year, making programs inconsistent over time.
- Down payment assistance still comes with requirements that are hard for some households to fulfill, such as personal savings for earnest money and closing costs.
- Federal funding sources may come with program requirements that make it difficult for some households to participate, such as debt-to-income ratio. They may also trigger prevailing wages in some cases, depending on the size and source of funding.

Summary of Homeownership Assistant Tools Analysis

For this analysis we used a case study approach to understand how comparable cities to Tualatin provide tools for homeownership through rehabilitation or down payment assistance. We explored examples from around Oregon to understand their respective approaches to homeownership assistance. Our team used these key questions to analyze the intent, structure, and impact of these programs:

- What programs are available for rehabilitation and/or down payment assistance?
- What is the City's role in this strategy?
- How are the programs structured and funded? How are recipients prioritized?
- Who is eligible to use the program? Is the program targeted to help specific groups of people (for example, seniors, households below 60% MFI, etc.)?
- What are the reporting requirements to ensure compliance with the program?

City-Nonprofit Partnerships for Down Payment Grants

Overview

Several jurisdictions in Washington County partner with the nonprofit organization Proud Ground to provide down payment assistance for residents. The cities of Beaverton, Hillsboro, and Tigard are all participants who use local Community Development Block Grant (CDBG) dollars to fund homeownership assistance alongside funding from Oregon Housing and Community Services (OHCS) and Community Frameworks.

Role of the City

The cities' role in these programs is as a partner rather than the ongoing administer for down payment grants. Specifically, cities in Washington County have allocated portions of their federal funding that are eligible for the program, but do not have to contribute ongoing staff capacity for monitoring, distribution, and outreach.

Program Details

The amount that local programs offer differs between each city; Beaverton[3] and Tigard[4] currently offer up to $110,000 for qualified buyers and Hillsboro[5] offers up to $90,000. Grant recipients for Proud Ground administered programs must be first-time home buyers that meet extensive qualifications for income and their plans to purchase a home.

Eligibility

For participating buyers' household income must match CDBG guidelines from 80% of median family income (MFI) in line with federal requirements - currently in Washington County this is $85,200 for a family of four. In order to verify income, program users must provide federal tax returns and W-2 forms. Eligibility is on a first-come, first-served basis when funds are available.

Buyers must also qualify for a minimum total mortgage of $350,000 with a lender from the organization's list. They must also have at least $3,000-5,000 in personal savings depending on the jurisdiction to cover earnest money, inspections, and closing costs. They must also have a credit score above 620, a debt-to-income ratio below 10%, and two years of steady employment history that is verifiable through paystubs, benefit statements, child support forms, or other formal documentation.

Takeaways

Partnerships can be an efficient way to deliver homeownership support without exceeding capacity of city staff to process applications and verify income information. There is likely an opportunity for Tualatin to pursue a similar program, including one with the same configuration as its peer cities in Washington County, though Proud Ground does not currently serve any cities in Clackamas County.

---

3 ⊚Proud Ground. "City of Beaverton Down-Payment Assistance." Accessed October 19, 2022. https://proudground.org/properties/affordable-pending/90000-beaverton-homebuying-opportunity-pool/227.

4 ⊚Proud Ground. "City of Tigard Down-Payment Assistance." Accessed October 19, 2022. https://proudground.org/properties/affordable-pending/110000-tigard-down-payment-assistance-grant/250.

5 ⊚Proud Ground. "City of Hillsboro Down-Payment Assistance." Accessed October 19, 2022. https://proudground.org/properties/affordable-available/90000-down-payment-assistance-grant/366.

County-Administered Low Interest Loans for Rehab, Weatherization, and Accessibility

Overview

In Oregon, counties and regional bodies sometimes provide homeownership resources that cities can leverage for their residents. Clackamas and Washington County are examples of larger scale government agencies that provide grant and loan programs for home rehabilitation, weatherization, and accessibility that are already applicable in Tualatin.

Role of the City

For regional low interest loan programs, cities are partners with other government bodies rather than directly delivering a program. City staff can direct local residents to appropriate resources and promote them for targeted groups, but do not track ongoing compliance or process applications. Some larger jurisdictions like Beaverton and Hillsboro within the county opt out in favor of their own nonprofit partnerships for home repairs and accessibility.

Program Details

Both Clackamas County and Washington County offer low interest loans for home rehabilitation, including additional outright grants for accessibility projects. Both counties prioritize funding for the most critical health and safety projects (such as dangerous electrical systems, roof leakage, and structural problems) ahead of nonemergency repairs or upgrades (such as weatherization).

Clackamas County structures their home repair loan program as a 3% simple low interest loan with deferred payments for owner-occupants. The eligible amount varies depending on project type: up to $15,000 is available for a single purpose health or safety items like water, septic or roof repair, $25,000 for exterior repairs, and $35,000 for complete repairs that meet Community Development Block Grant rehab standards. Outright grants are not given for home repairs but are available for accessibility improvements.[6]

Washington County has two programs depending on the income level of participants. The Home Access and Repair for Disabled and Elderly (HARDE) provides outright grants targeted at very low-income residents up to $10,000. The Deferred Interest-Bearing Loan (DIBL) is provided for moderately low-income residents up to $25,000 with a similar structure to Clackamas County, accruing 3% interest for up to ten years that does not need to be paid monthly. Up to 10% of DIBL funds may be used for 'nonessential' projects like Homeowners who qualify for DIBL assistance may use up to 10% of the loan amount for non-essential items like lighting fixtures or floor upgrades.[7]

Eligibility

Both Clackamas and Washington County homeowners are eligible for home repair loans at or below 80% MFI who have sufficient equity in the property. Taxes and mortgage payments must

---

[6] ◎Clackamas County. "Home Repair Loans and Home Accessibility Grants." www.clackamas.us. Accessed October 19, 2022. https://www.clackamas.us/communitydevelopment/repair.html.

[7] Washington County Office of Community Development, "Housing Rehabilitation Program Policies," 2022, https://www.washingtoncountyor.gov/commdev/housing-rehabilitation.

also be current in both jurisdictions, and applicants must have a sufficient debt-to-income ratio. Both programs used deferred low-interest loans where the owner does not have to make monthly payments; the loan is then repaid when the home is sold or transferred.

Washington County's HARDE program is available for residents below 50% MFI who are disabled or over the age of 62. Although it is primarily targeted at homeowners, renters may also apply for accessibility improvements. The DIBL is for homeowners between 50-80% MFI.

Takeaways

Programs provided at a higher level like a county or regional body can cover a wide area and serve multiple jurisdictions with programs for home rehabilitation. These programs are often funded through CDBG and must be compliant with their regulations.

Washington and Clackamas Counties offer program which Tualatin residents could use, while jurisdictions like Beaverton and Hillsboro have operated their own independent options. Tualatin could work with the County to increase participation or set up their own separately to give them more latitude over allocation of their CDBG funding for other projects.

City-Administered Assistance for Down Payments and Rehabilitation

Overview

Some cities in Oregon choose to administer their own programs for homeownership assistance rather than partnering with a nonprofit organization to work with individual households. Springfield and Corvallis are examples of local jurisdictions that offer this direct support, including home repair support and down payments (in Springfield).

Role of the City

With city administered programs, staff directly work with homebuyers and homeowners. Springfield and Corvallis are located in Lane and Benton Counties respectively, neither of which have an alternative county-level program. There are additional nonprofit organizations providing resources with coverage in both areas. Like cities who use a partnership model, both of these programs also utilize federal funding from the US Department of Housing and Urban Development, including the CDBG and HOME (for multifamily building rehab projects).

Program Details

Springfield offers up to $25,000 in interest-free loans for down payments, with repayment not required until the home is sold, refinanced, or transferred. It is not intended for full coverage, as homebuyers must contribute at least 50 percent of the required down payment. The city also provides funding for rehabilitation up to $10,000, targeted at urgent home repairs and those that will enhance health, safety, or accessibility. It does not cover weatherization improvements but refers residents towards a nonprofit operating in Lane County. All rehab work must be performed by licensed and bonded contractors hired and paid by the City.[8]

Corvallis only provides local rehab funding but covers weatherization and accessibility improvements. The loan is structured with two options: program participants between 50-80% MFI accrue no interest with their monthly payments, and those below 50% as well as disabled homeowners and seniors can defer payments until the homeowner moves or sells the house.[9]

Eligibility

Springfield's income requirements are set slightly higher than other jurisdictions surveyed in this memo, with residents qualifying for the home repair program at 50% MFI in 2022. The City also limits the rehab program based on the value of the home, which must be under $334,000 according to the Lane County Assessor. For its down payment program, buyers must be prequalified, below 80% MFI, and first-time home buyers. Additionally, the property must be vacant or occupied by either the buyer or seller to avoid renter displacement.

[8] City of Springfield, "Homeowner Programs," accessed October 21, 2022, https://springfield-or.gov/city/development-public-works/homeowner-programs/.

[9] City of Corvallis, "Housing Repair and Rehabilitation Loans," accessed October 21, 2022, https://www.corvallisoregon.gov/cd/page/housing-repair-and-rehabilitation-loans.

Corvallis requires that residents are below 80% MFI for their weatherization, rehab, and accessibility loans, but offers additional help for those under 50% MFI. Requirements are also similar to county and nonprofit programs.

Takeaways

The amount offered in cities that administer their own program may be lower than in jurisdictions that partner with a nonprofit or county. Although it is a small sample size, this may be due to the costs of administration. Local programs also allow city staff flexibility in setting stronger MFI provisions and adding measures to avoid displacement.

Conclusions and Next Steps

- The City should consider the extent to which it wants to directly provide programs or establish on partnerships for administration based on current capacity.
- Federal funding from HUD's Community Development Block Grants or state funds from OHCS are typically what other places in Oregon use to fund homeownership assistance programs for down payments and rehabilitation work. If Tualatin has these available, it should leverage them and explore partnerships with established programs.
- Given its location in Washington and Clackamas Counties, there are resources that can be used already in Tualatin for home rehabilitation work. However, residents may need help navigating which programs apply for their needs and understanding the criteria. The City could increase guidance available for individuals to find existing resources rather than building new programs.
- The City could also help to put together resources for some of the other requirements that existing programs use, such as building sufficient credit for a down payment grants or identifying eligible contractors to perform rehab work within the parameters of available grants.

ECONorthwest
ECONOMICS • FINANCE • PLANNING

DATE: November 7, 2022
TO: City of Tualatin
FROM: ECONorthwest
SUBJECT: Affordable Housing Trust Fund and Additional Funding Tools Analysis

The City of Tualatin is considering a range of strategies and actions to fund and implement the goals from its 2021 Housing Production Strategy. To understand the potential trade-offs of implementing these strategies in Tualatin, this memorandum describes what each strategic action is and how it works. In addition, it summarizes an analysis of the potential impacts of implementing these actions. The final section outlines potential next steps for the City of Tualatin to consider.

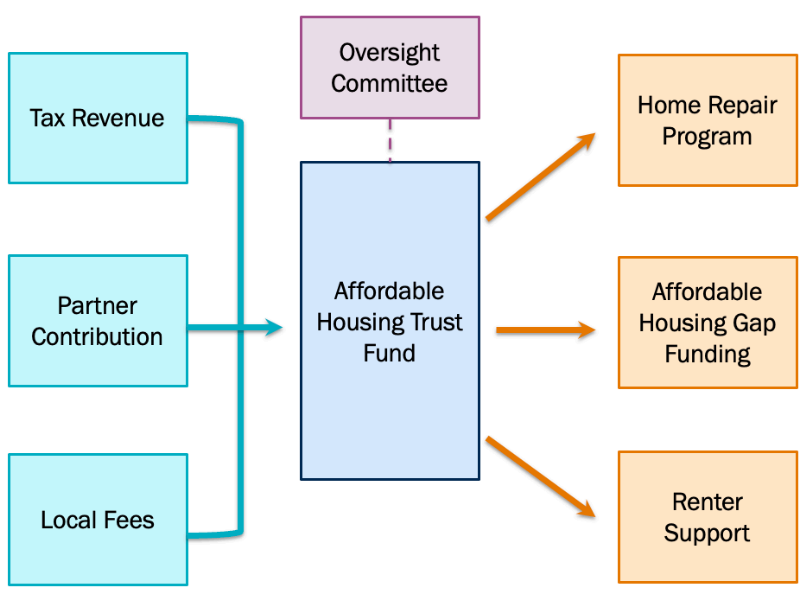
Additional Funding Tools

Overview

There are many potential strategies for creating new revenue sources or directing existing sources towards affordable housing, including new taxes or fees, local bonds and levies, partner contributions, and more. Some of the tools covered in other Housing Implementation Plan memorandums could contribute revenue to the city in order to financially support targeted types of housing. This analysis expands on those additional funding sources and how the city could use them in an Affordable Housing Trust Fund.

Affordable Housing Trust Fund: Trust Funds provide a single location to collect a variety of local contributions and other funds for affordable housing. They are typically managed by a combination of city staff and a steering committee who ensure the funds are distributed to fulfill priority housing goals.

Exhibit 1. Affordable Housing Trust Fund Structure
Source: ECONorthwest



An Affordable Housing Trust Fund is a mechanism that can centralize revenue sources into a collective account and distribute money for housing in the city. Although most of the sources analyzed can also be used independently, this structure could be useful for affirming that projects that receive public funding go towards meeting priority needs. Trust funds are typically steered by a committee who work alongside city staff to formulate the application criteria and administer the approval process. However, these funds only work if there are sufficient inputs in the form of tax revenue, fees collected, bonds, etc.

Fiscal Impacts/Who Pays

These tools can leverage a variety of local, existing revenue sources; they are typically spread out to different funds, levies, and bonds to accumulate a larger sum. The fiscal impacts depend on the source, but in general it means that the City is choosing to allocate money towards housing projects in lieu of spending it elsewhere. In some cases, sources may also stipulate that funds can only be used for certain types of projects which may restrict how the trust can distribute its money. These may prohibit their use in the fund altogether: for example, urban renewal funds cannot be use outside of the boundaries of a district and are primarily used for supporting new capital projects, limiting their use for citywide goals or programmatic elements.

Pros and Cons

Pros:

- An affordable housing trust fund would allow the City to make investments in the specific types of housing that are needed in Tualatin. The City could configure the criteria and eligibility standards to a specific affordability level or unit/tenure type.
- The fund can combine multiple funding sources and lower dependence on a single revenue stream to fund affordable housing. It could also reduce the strain on any one source.
- Some sources that have low potential now because of political viability or legal status in Oregon may become more feasible over time with changes to state legislation that enable more tools to be used for affordable housing. For example, vacancy taxes have not been legally tested in the state but could be in the future.

Cons:

- A trust fund requires administrative capacity from the City and will likely require support from a volunteer committee to oversee the application and approval processes.
- If goals and eligible project types are not clear from the outset of the trust, funding could go towards lower priority types of projects and/or cause public controversy.
- Other challenges might arise with requirements depending on the funding source within the trust fund, such as restrictions on the types of projects that can be funded by certain revenue sources, requirements for prevailing wages, or annual fluctuations in availability.

Summary of Additional Funding Tools Analysis

ECONorthwest evaluated a number of revenue sources that could contribute funding to an affordable housing trust fund. Exhibit 1 summarizes these sources and provides rationale for their recommended inclusion or exclusion in the Housing Implementation Plan.

An affordable housing trust fund could also collect revenue from other tools that ECONorthwest evaluated for this plan, such as revenue from a Construction Excise Tax. This analysis includes those explored in other sections of the Housing Implementation Plan and integrates ideas from the previous Housing Production Strategy.

Exhibit 2. Summary of New Funding Sources Evaluated

Revenue Source	Potential to Implement	Description	Assessment
Most Common Local Sources			
Tualatin-specific Construction Excise Tax (CET)	High	A tax levied on new construction of commercial, industrial, and/or residential buildings	Likely a high source of flexible local revenue
General Fund Revenue	Low	Contribution from the city's general budget	Can contribute directly but competing with other city priorities
Tualatin-specific or regional General Obligation (GO) Bond	High	Increases property taxes to pay back the amount of bonds taken out by the city for capital projects In 2018, voters approved a regional GO Bond for housing for the Metro region. Funds from that bond are being use to create permanently affordable housing. Metro may consider issuing an additional GO Bond.	Requires a public vote but could provide long term stable source Tualatin could be the recipient of additional funding from a new Metro GO Bond.
Local Option Levy	Medium	A time-limited property tax issued as a rate used for capital projects, operations, or programs	Also requires a public vote but GO bond is probably better
Increases to Existing Taxes and Fees			
Lodging Tax	Medium	An increase to the city's current lodging tax levied on hotels, motels, and short-term rentals, paid by visitors	Uses of revenue are restricted by the state; majority (70%) for tourism
Marijuana Tax	Medium	A targeted change in the city's current marijuana tax levied on marijuana purchases, paid by consumers	Marijuana tax revenues may already be at their maximum for Oregon
Building and Planning Permit Fee Surcharge	Low to Medium	An additional charge added to the city's existing fee for staffing and operational costs	The City has relatively low fees now, but increasing them would not help to incent new housing development

Utility Fee Surcharge	Low to Medium	An additional fee on utility bills, similar to the city's current parks utility fee	Potential nexus with infrastructure to support affordable projects
System Development Charges (SDCs)	Low	An increase to the city's existing one-time fees charged on new buildings, paid by developers	Conflicts with strategy to exempt SDCs for certain affordable development
New Taxes and Fees			
Business License Fee	Low	An additional fee issued with new business licenses	Could hinder economic development goals
Food and Beverage Tax	Low	A tax added to food and beverage sales within the city, paid by consumers	Unlikely to be politically viable
Real Estate Transfer Tax	Low	A tax levied on real estate transactions, paid by property owners	Not proven legal in Oregon
Sales Tax	Low	A tax on retail goods purchased within the city, paid by consumers	Unlikely to be politically viable
Payroll/Business Income Tax	Low	A tax for local business revenue, paid by business owners	Likely to face pushback from business community
Vacancy/Second Home Tax	Low	A tax levied on homes that are unoccupied for a certain period of time, paid by property owners	Likely not legal in Oregon or enough vacation homes
Other Funding Sources			
Donations and Gifts	Medium	Funds given by private foundations, firms, or individuals	Could have a mid-sized to low impact and likely to fluctuate
Grants	Medium	Funding from public agencies or companies for a specific purpose that the city applies for	Dependent on grant writing capacity and changing availability
State Funding	Medium to High	Oregon Housing and Community Services provides a number of funding opportunities for which Tualatin would be eligible including grants and CET	Mostly available as one-time contributions but can be spread out over years

The City's Highest Potential Revenue Sources Are Construction Excise Tax (CET) Revenue and Property Taxes.

CET is a Promising New Option, with Multiple Configurations Available.

Construction Excise Taxes (CET) is increasingly popular for funding affordable housing in Oregon, as SB 1533 passed in 2017 permits cities to adopt a tax on the value of new construction projects explicitly for the purpose of raising funds for affordable housing projects. The tax is limited to 1% of the permit value on residential construction with no cap on the rate applied to commercial and industrial construction. For residential, 50% of revenue must go to developer incentives like backfilling SDC abatements or forgone MUPTE revenue, 15% goes to OHCS programs, the city can use the remaining 35% flexibly (including adding to a trust). For commercial and industrial CET, 50% of revenue has to be used for housing related programs and could also flow into the trust, while the other half is unrestricted and could also go to other city programs.

A Local Option Levy or General Obligation Bond Would Require a Public Vote.

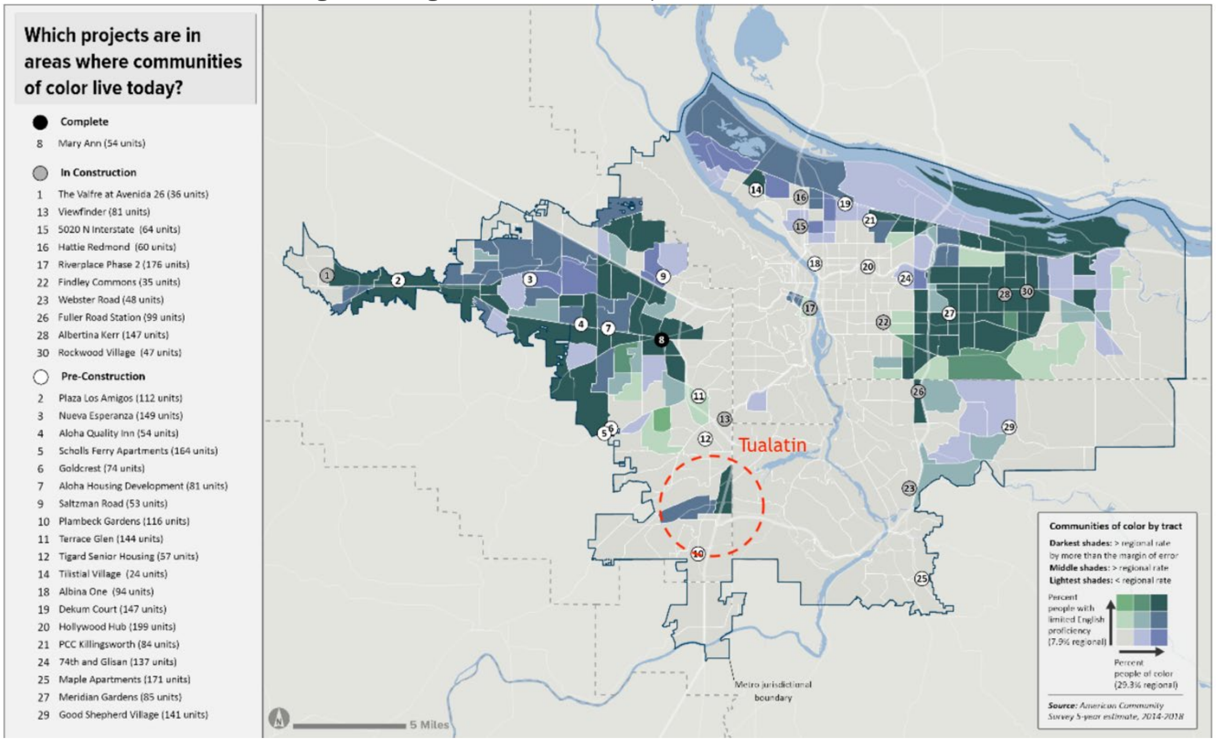
A new local option levy (ORS 280.040-280.145) or general obligation bond (ORS Chapter 456) would be a powerful tool but require an extensive public process and vote in order to pass. Depending on which route the city pursued, it would either take out a bond to be repaid by a property tax increase or increase the property tax rate for a fixed period of time to add towards housing. Both require a local public vote to implement.

The existing Metro GO Bond which Tualatin residents already pay property taxes towards covers Washington, Multnomah, and Clackamas County and is estimated to generate $652.8 million for housing and homes for approximately 12,000 people.[1] Although Tualatin currently does not have an allocation for projects within the city, the intent of the bond is to be distributed regionally to provide more affordable units across all three counties with considerations for racial equity and existing access to regulated affordable housing.[2]

[1] Metro, "Affordable Housing Bond Program," February 8, 2018, https://www.oregonmetro.gov/public-projects/affordable-housing-bond-program#:~:text=In%202018%2C%20Metro%20partnered%20with.

[2] Metro, "Metro Affordable Housing Bond Program 2021 Annual Report," June 30, 2021, https://www.oregonmetro.gov/public-projects/affordable-homes-greater-portland/oversight.

Exhibit 3. Metro Housing GO Bond Projects in Areas Where Communities of Color Live Today
Source: Metro Affordable Housing Bond Program 2021 Annual Report



The city's tracts with relatively high share of people with limited English proficiency and people of color compared to the region (shown in Exhibit 2) and lack of current funding provided from the bond revenue could make Tualatin a strong candidate to receive funding within this regional equity framework. Like other cities (including Portland[3]), Tualatin could seek to partner with the Metro Housing Bond, set goals for adding affordable units, and solicit proposals for new affordable development.

General Fund Revenue is Powerful but Competitive with Other Resources.

The City could decide to reallocate a portion of its general fund revenue as it chooses, which could potentially provide a large contribution towards housing projects and programs. However, using the city budget would likely mean reallocating funds from where they are currently going and competing with other city priorities.

Increasing and Allocating Existing Taxes and Fees Has Limitations.

Increasing or reallocating revenue from existing taxes and fees may be more politically viable than introducing new ones in Tualatin. However, for existing funds and fees, the city typically

[3] Portland Housing Bureau, "Metro Housing Bond," 2022, https://www.portland.gov/phb/metro-housing-bond.

already has earmarked where they are going to be spent and would need to evaluate if they want to divert resources from other projects or increase the tax and allocate the additional revenue to housing.

Existing taxes and fees considered include the city's lodging tax, marijuana tax, building and planning permitting fees, and system development charges (SDCs). In the case of lodging and marijuana taxes, it may be possible to eventually increase the current rate but the effectiveness of both is dependent on state legislative decisions.

Increases to SDC rates are not conducive to increasing housing feasibility and may cause challenges for attracting development. These rates are also typically set by service districts for infrastructure rather than by the City for funding other initiatives. However, the City's existing building and planning permit fees are comparatively lower than surrounding cities. Adding a surcharge that is linked to the cost of staff capacity for working on affordability initiatives may have a stronger nexus with the affordable housing trust fund and create less of a challenge for feasibility. Similarly, a surcharge to the City's utility bills like the existing park utility bill could be applied towards supporting infrastructure for new affordable projects.

New Taxes and Fees May Be Difficult to Implement.

There are many theoretical options for adding new taxes or fees within the city, but most of them face challenges of political feasibility, legal issues, or hindering other goals. Taxes or fees could apply to a range of different parties, broadly including consumers, property owners, and business owners in the city. See this document's Appendix for detail on taxes and fees.

Taxes and Fees Paid by Consumers Could Lack Political Viability.

New taxes and fees paid by consumers often face challenges of political viability. Both of those considered could have pushback from the business community and residents because they could be seen as disincentives to spending within the city.

Taxes and Fees Paid by Property Owners Could Face Legal Challenges.

Local option levy and general obligation bonds would already add to existing property taxes, but there are other taxes that would apply primarily to property owners. Both options included here are likely to face legal challenges in Oregon and are not tested in the state.

Taxes and Fees Paid by Business Owners Could Hinder Other Economic Goals.

Taxes levied on businesses are another option that the city could enact, but this could also discourage new small firms from establishing in Tualatin. Available options for these taxes and fees can also often be transferred on to consumers when businesses add on the cost for paying the tax to the price of their goods and services.

Most Grants and Partner Contributions Have Short Term Impact.

One-Time Grants and Partner Contributions Have Been Used in Other Funds.

Grants and partner contributions can have an impact but are likely not ongoing sources that could be used for continued programs or an AHTF. Cities like Newberg have relied on them as a part of their trust fund,[4] but they don't always produce enough contributions to be effective for long term programs. The city could explore funding campaigns for donors and grant writing efforts, but this is typically more effective for specific projects than open-ended funding.

State Funding Could Add More Opportunities for Specific Goals.

Oregon Housing and Community Services (OHCS) offers a range of grant programs and tax credits that can be used for affordable housing development. Individual projects could utilize programs like the Oregon Affordable Housing Tax Credit (OAHTC), while the city could utilize the General Housing Account Program (GHAP) Capacity Building program to build out the affordable housing trust. The state's share of locally collected construction excise tax can also be used for down payment assistance programs.[5] The state Housing Development Grant Program ('Trust Fund') could be used by projects in Tualatin to match local funds.[6]

[4] City of Newberg, "Affordable Housing Commission Home, Newberg Oregon," www.newbergoregon.gov, accessed October 31, 2022, https://www.newbergoregon.gov/ahtfc.

[5] Oregon Housing and Community Services, "Down Payment Assistance," accessed November 4, 2022, https://www.oregon.gov/ohcs/homeownership/pages/downpayment.aspx.

[6] Oregon Housing and Community Services, "Grants & Tax Credits," www.oregon.gov, accessed November 4, 2022, https://www.oregon.gov/ohcs/development/Pages/grants-tax-credit-programs.aspx.

Affordable Housing Trust Fund Case Study: Eugene

Affordable Housing Trust Funds are fairly common for cities in Oregon. Eugene, Portland, Ashland, Newberg, and Bend are all examples of jurisdictions who have established such funds, but their impact typically varies based on how much funding they are able to provide. Some may also be subject to vary over time based on their revenue sources.

Eugene has been successful in creating an Affordable Housing Trust Fund (AHTF) in 2019 when the City Council passed Ordinance 20609. The fund receives revenue from the city's Construction Excise Tax (CET) and the Council General Fund. CET revenue collects 0.5% on construction and additions in Eugene which makes it subject to fluctuation, but in FY22 it produced $1.1 million that went towards the city's AHTF projects.[7]

An advisory committee oversees Eugene's AHTF and makes recommendations to staff about how funds should be used. Eligible types of expenditures include gap financing and acquisition for affordable development (which accounts for 75% of funds) and direct assistance for renters and home down payments (25%).[8]

Exhibit 4. 'Peace Village' Project Funded by Eugene's AHTF
Source: Cultivate Architects

In the past three years, the fund has spent $1.3 million and supported the creation of over 200 new units, including 122 rental units, 70 owner-occupied tiny homes, and 10 transitional units. AHTF money was also used for rental assistance and foreclosure prevention in response to the COVID-19 pandemic. More recently the City has begun to use the fund for down payment assistance, a tenant hotline, and rental housing navigation sources.

---

[7] City of Eugene, "Affordable Housing Trust Fund," www.eugene-or.gov, 2022, https://www.eugene-or.gov/4232/Affordable-Housing-Trust-Fund.

[8] City of Eugene, "Affordable Housing Trust Fund Advisory Committee | Eugene, or Website," www.eugene-or.gov, accessed October 31, 2022, https://www.eugene-or.gov/4256/Affordable-Housing-Trust-Fund-Advisory-C.

Appendix: Additional Considerations

- **Increasing Lodging Tax** could be possible as Tualatin currently charges 2.5% locally and other jurisdictions in Oregon have used a portion of their lodging tax towards an affordable housing fund, including Portland.[9] However, only 30% of the tax may be used for purposes other than tourism and workforce housing for employees in the tourism industry does not apply as tourism related expenditure.
- **Increasing the Marijuana Tax Rate** for housing is an increasingly popular strategy in Oregon (including Ashland where revenue is put towards their housing trust)[10] but may not be possible in Tualatin as the city is already levying the maximum tax for local jurisdictions at 3% of sales prices. However, if new legislation raises the maximum local tax rate to 10% the city could consider this increase.[11]
- **Increasing the Building and Planning Permit Fee** would add a cost for developers and may have the effect of discouraging development in general. This could include projects that may have used other incentives like MUPTE or SDC waivers in a market where not many new buildings are currently being delivered. These fees are also typically sized to project valuation and staffing operational costs/capacity so it could be difficult to justify. This has been used in other cities, including Bend,[12] but may be best used in cities with strong demand in current housing markets.
- **Higher System Development Charges** to fund housing projects would be possible, particularly for city-controlled taxes, but conflicts with this project's recommendation to exempt fees for affordable development as it would increases the amount the city would need backfill for any projects utilizing the program.
- **Food and Beverage Taxes** have been passed in other local jurisdiction in Oregon, though not explicitly for affordable housing.[13] To pass the tax requires voter approval, which has been contentious in other cities – most recently Cannon Beach where it did pass.

---

[9] Michael Anderson, "Portland Dedicates Short Term Rental Lodging Tax to Housing Investment Fund |," Community Change, 2016, https://housingtrustfundproject.org/portland-dedicates-lodging-tax-to-housing-fund/.

[10] City of Ashland Planning Division, "Housing Trust Fund," www.ashland.or.us, accessed October 21, 2022, https://www.ashland.or.us/Page.asp?NavID=10828.

[11] Joelle Jones, "Cashing in on Cannabis: How Oregon, Washington Are Using Weed Tax Revenue" (KOIN 6, April 6, 2022), https://www.koin.com/local/cashing-in-on-cannabis-how-oregon-washington-are-using-weed-tax-revenue/#:~:text=Oregon%20Cannabis%20Tax&text=State%20School%20Fund%3A%2040%25.

[12] City of Bend, "Affordable Housing," www.bendoregon.gov, accessed October 21, 2022, http://bendoregon.gov/index.aspx?page=99.

[13] Kathleen Stinson, "Prepared Food Tax Is Not New Oregon, Other Communities Have Passed Similar Measures," Cannon Beach Gazette, July 21, 2021, https://www.cannonbeachgazette.com/news/prepared-food-tax-is-not-new-oregon-other-communities-have-passed-similar-measures/article_0a3533f0-eeed-11eb-bf68-3f0b06264caf.html.

- **A Local Sales Tax** is also unlikely to be politically viable as it would require a voting process and is not widely implemented in Oregon. The state does not charge a sales tax, though Josephine County has recently proposed a seasonal sales tax of 3% to use for law enforcement.[14]
- **Real Estate Transfer Taxes** are prohibited in Oregon by ORS 306.815, with the exception of Washington County where there was already a tax in place when the legislation was enacted.[15] Unless there is significant chance to Oregon law this tax is not an option beyond what Washington County already collects in Tualatin.
- **Vacancy Taxes** (sometimes called 'second home' taxes) have been adopted or explored in some large cities with high development pressure, including Oakland, San Francisco, Vancouver, and Los Angeles.[16] However, vacancy taxes have not been legally tested in Oregon. The strength of the housing market in a city also helps to determine whether it will have sufficient impact.
- **A Business Income Tax** would add a local charge on net business income, often for firms that make over a certain amount annually. Metro already charges a 1% business tax in Clackamas, Multnomah, and Washington Counties that goes towards housing services,[17] so an added local tax may be unlikely to gain traction.
- **A Business License Fee** would add a local fee for registering a new business within Tualatin but would likely conflict with other economic development goals in the city. Unless there is a clear line with workforce housing it may also be difficult to establish a nexus with affordable housing.

---

[14] Jane Vaughan, "Josephine County Sends Seasonal Sales Tax Proposal to Voters," OPB, August 11, 2022, https://www.opb.org/article/2022/08/11/josephine-county-sends-seasonal-sales-tax-proposal-to-voters/.

[15] Lincoln Land Institute, "Transfer Tax - Washington County," LILP, 2018, https://www.lincolninst.edu/real-estate-transfer-charge/transfer-tax-washington-county-oregon-2018.

[16] Camille Squires, "San Francisco Is the Latest City to Consider Tackling Its Housing Crisis by Taxing Empty Homes," Quartz, February 11, 2022, https://qz.com/2125251/cities-are-taxing-vacant-homes-to-create-more-housing.

[17] Metro, "Metro Supportive Housing Services Tax: Frequently Asked Questions: Business Income Tax," November 2021, https://www.oregonmetro.gov/sites/default/files/2021/11/17/FAQ-SHS-Tax-business-Nov-2021.pdf.

AGENDA

Tualatin Housing Implementation Plan: Strategic Equitable Housing Funding Plan
Advisory Committee Meeting #4

2/15/2022

5:30 – 5:45 PM	**Review of Previous Meetings** ▪ Strategic action types ▪ Funding for affordable housing ▪ Housing needs in Tualatin
5:45 – 6:15 PM	**Fiscal Impacts and Tradeoffs** ▪ Key assumptions for strategic actions ▪ Conclusions of the analysis
6:15 – 6:45 PM	**Equity Impacts and Tradeoffs** ▪ Benefits and challenges by strategic action ▪ Recommendations ▪ Key questions for decisionmakers
6:45-7:00 PM	**Next Steps**

DATE: February 8, 2023
TO: City of Tualatin
FROM: ECONorthwest
SUBJECT: Tualatin's Equitable Funding Action Plan: Draft Strategic Actions Analysis

This memorandum presents several chapters from the draft Funding Action Plan, providing a review of the issues discussed to date and conclusions about potential funding and equity considerations.

1. Housing Needs and Development Funding Structures

This chapter clarifies the specific affordable housing needs in Tualatin and potential actions to address them. These actions focus on ways to generate new funding streams, reduce development costs, as well as programs focused on homeownership. Considerations are included throughout, though specific recommendation will be discussed later in the report. The analysis is broken down into the near term (five years) and long term (twenty years) to help demonstrate the pace needed to meet the city's goals.

Housing Needs in Tualatin

The 2021 *Housing Production Strategy* (HPS) provided a summary of Tualatin's housing needs. Each of the strategic actions evaluated for this funding plan are related to a specific action in the HPS, though not every action from the HPS is covered in this analysis. Those with the greatest impact on funding and covering a range of income levels were prioritized.

How many affordable units are needed for Tualatin?

The HPS identified the total need of new units in Tualatin over the next twenty years and the breakdown of these units by household income levels (based on analysis from Tualatin's 2019 *Housing Needs Analysis)*. This plan details affordable housing funding tools to intended to meet these housing needs.

According to the HPS, Tualatin is forecast to grow by about 1,014 total new units to accommodate expected population growth over the 2020 to 2040 period. Approximately 600 new units of this 1,000 would need to be for low- and moderate-income households, often referred to as "workforce housing." The number of units needed for extremely and very low income households is also large share of these units; the amount needed for these residents is similar to the number needed for all market rate housing in Tualatin in this 20-year time period. Without strategic actions and city intervention, it is unlikely that these units will be built.

We assume that about half of those 600 affordable units are needed in the next ten years. In addition, Tualatin has nearly 6,500 existing households in these income groups, many of whom have unmet housing needs. The distribution of units needed by level of income proportionate to median family income (MFI) is shown in Exhibit 1.

This project is intended provide more information about selected strategic actions from the HPS that address unmet needs for new and existing households with incomes below 120% of MFI.

Exhibit 1. Forecast of New and Existing Households by Income Level, Tualatin, 2020 to 2040
Source: Tualatin Housing Needs Analysis, 2019

Total		**254**	**1,014**	**8,169**
Income Category	**MFI Level**	**New Units Needed in 5 Years**	**New Units Needed in 20 Years**	**Existing Households**
Extremely and Very Low Income	<50%	77	307	3,288
Low Income	50-80%	38	151	1,588
Moderate Income	80-120%	39	157	1,614
Market Rate	120%+	100	399	1,679
Total	-	**254**	**1,014**	**8,169**

How can cities support affordable housing development?

Housing development is a complex process that requires inputs from numerous interrelated markets and players, and each input to development functions in its own market with supply and demand factors constantly in flux. Exhibit 2 illustrates the key factors necessary for development to occur. Cities have varying influence on these factors.[1]

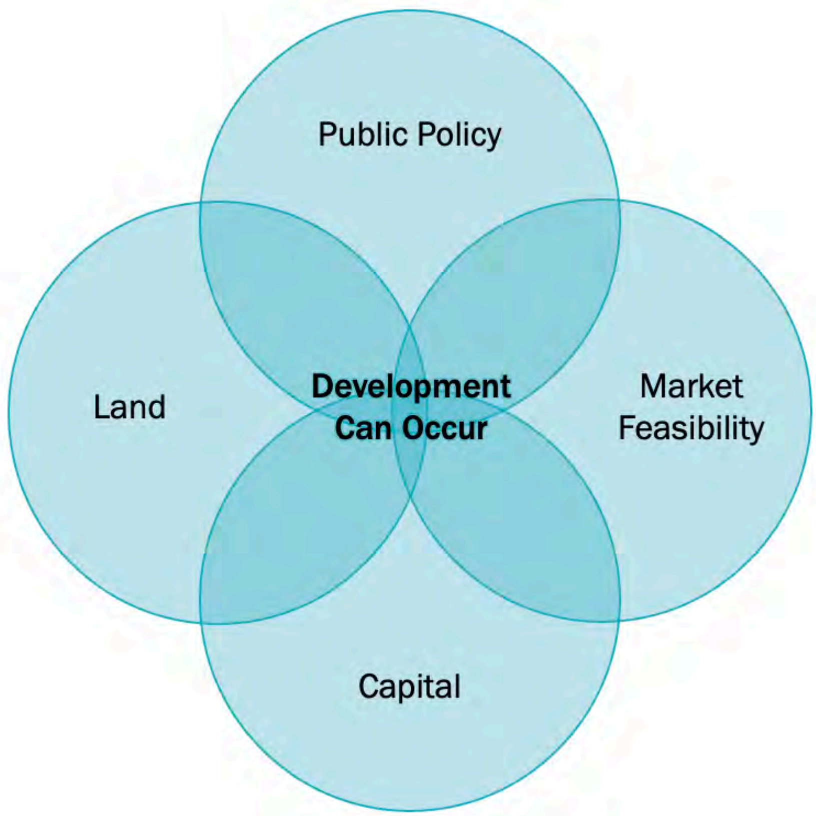
- **Land.** Landowners and property developers evaluate opportunities for development that can occur on a specific parcel. The city can influence availability of land through ensuring that there is enough land within the city to accommodate 20-years of growth, which is done through completing a *Housing Needs Analysis* (HNA), which Tualatin did in 2019. Making the provision of affordable housing an even greater challenge, the HNA found that Tualatin had limited buildable land available. Cities also have influence on land for development through planning for and building infrastructure necessary to support development, such as roads, water service, wastewater services, and stormwater services.
- **Public Policy.** Cities set public policies that affect development, such as zoning, density, building height, or subdivision policies.
- **Market feasibility.** This is a process that assesses the demand for development – comparing the expected revenues against the investment costs (e.g. labor and materials) – for the desired types of development. If a development project is not feasible, it will not be built. Cities can influence market feasibility through policies that lower the costs

[1] This discussion is adapted from the report *Oregon Transit and Housing Study, Housing Market Primer*, December 2020, by ECONorthwest with Parametrix and HDR.
https://www.oregon.gov/odot/Planning/documents/TransitHousing_PrimerWithGlossary.pdf

of development or lower the costs of operating the new housing, such as waiving fees or offering property tax exemptions.

- **Capital.** Building housing requires access to capital to pay for the costs of development, and influences market feasibility through the financing terms set by the lender and the returns expected by the investor. When real estate development cannot meet return requirements of potential inventory, building housing becomes infeasible. Cities have a more minor role in supplying capital for construction, generally limited to funding rehabilitation programs or occasionally, more significant funding for affordable housing development.

Exhibit 2. Factors Influencing Housing Development
Source: ECONorthwest

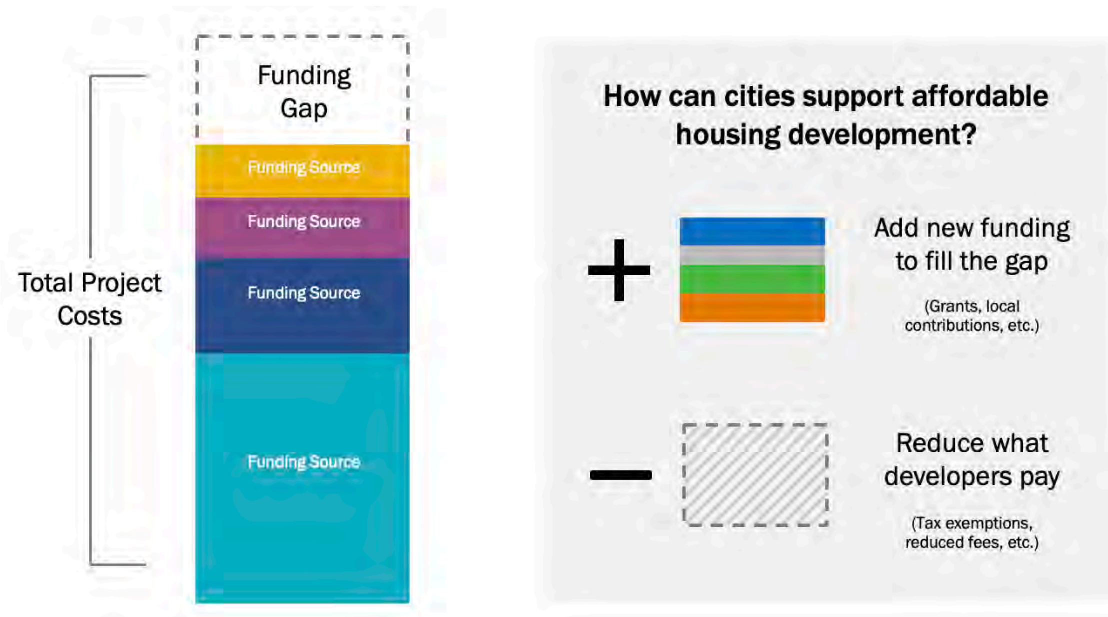


This project is primarily concerned with supporting development of housing affordable below 120% of MFI, which can be separated into two categories: *income-restricted* housing affordable to households with income of 60% of MFI or less and *market-rate* affordable housing affordable to households with incomes of 60% to 120%. Most funding for *income-restricted* housing comes from state and federal sources, such as Low-Income Housing Tax Credits (LIHTC), or nonprofit sources. Developing market-rate affordable housing (affordable to households with income of 60% to 120% of MFI) has different sources of funding, which are more likely to be private funding sources but can include some public funding. Funding to support development of market-rate affordable housing is less readily available from public sources, making it less common because it is typically not financially feasible. The intention of the strategic actions under consideration in this plan is to increase market feasibility for development, by lowering development costs or supplementing available funding for either income-restricted housing or market-rate affordable housing with rents that are below market-rate.

When developing affordable housing, the developer must fund the costs of building and operating new housing. For income-restricted housing development, which is typically multifamily, funding may come from a wide range of sources, with 10 to 20 funding sources necessary to build new housing. Development costs of income-restricted housing vary based on location, scale, and other factors. Medium to large multifamily income-restricted affordable housing projects in Oregon typically have a funding gap between $10 to $15 million, or about $100,000 - $150,000 per unit on a 100-unit project.

The primary approaches that jurisdictions take to overcome these funding gaps are by directly contributing local funds, reducing costs associated with development (such as permitting fees or system development charges), or providing services such as technical assistance. Exhibit 3 illustrates a potential funding source.

Exhibit 3. Illustration of potential funding gap for affordable housing development
Source: ECONorthwest



This plan includes three types of strategic actions: (1) actions to generate additional funds for to support Tualatin's housing programs and actions in the HPS, (2) actions to lower costs for income-restricted and market-rate affordable multifamily rental housing, and (3) actions to increase and retain affordable homeownership.

In Tualatin and nearby jurisdictions (such as Tigard) a typical affordable multifamily housing development would provide between 50-100 units in on a single development site, though developers may seek to include more units if they choose. Where possible, this analysis includes an estimate for potential funding impact over five and twenty years (per unit and applied across a hypothetical 100-unit building), to provide comparable examples.

2. Strategic Actions that Generate Funds for Affordable Housing

The strategic actions in this section are ways for the City to create new local funding sources to allocate to affordable housing projects or programs. Two sources in particular have been shown to be effective in other Oregon cities: Construction Excise Taxes and Urban Renewal.

HPS Actions and Funding Plan Tools

The tools included in this funding plan align with some of the specific actions in the 2021 Tualatin Housing Production Strategy. The table below demonstrates the associated actions and funding tools.

HIP Tool	HPS Action
Construction Excise Tax	1.c Evaluate Implementation of a Construction Excise Tax
Urban Renewal Area	1.d Evaluate Support for Affordable and Workforce Rental Housing as part of Urban Renewal
Other Funding Tools	1.e Evaluate Financial Resources for Local Contributions to Affordable Housing Development

Construction Excise Tax (CET)

- **What does it do:** CET levies a tax on new construction to fund housing programs and investments. It can be levied on any combination of residential, commercial, and industrial development.
- **Who initiates it:** As of 2016, local jurisdictions in Oregon can pass CET by adopting an ordinance through City Council, authorized by SB 1533.
- **How does it work:** This tax allows cities to collect up to a 1% tax on permit value of new residential development or any percentage for commercial/industrial development.
- **How can CET be used:** Residential CET and commercial/industrial CET have different rules for using revenues required by ORS 320.195:

  <u>For residential CET:</u>

  - 50% must be used for developer incentives (e.g., SDC exemptions, tax abatements, or finance-based incentives).
  - 35% may be used flexibly for affordable housing programs.
  - 15% is not available to the city and flows to Oregon Housing and Community Services for homeownership programs that provide down payment assistance.

  <u>For commercial/industrial CET:</u>

  - 50% of the funds must be used for housing-related (but not necessarily limited to affordable housing)
  - The remaining 50% is unrestricted.

- **What is its potential funding impact:** A 0.5% to 1% CET on commercial and industrial development may be worthwhile in Tualatin. Through OHCS, this can also be explicitly used to fund down payment grants.

  Based on historical permitting between 2016 and 2020, over a **five-year** time period if Tualatin assessed a tax of 0.5%, on the low end of the allowable rate, collections from new commercial and industrial development could generate:

For Residential CET*

At 0.5% **$43,000** | At 1.0% **$86,000**

For Commercial/Industrial CET

At 0.5% **$208,000** | At 1.0% **$416,000**

Combined

At 0.5% **$251,000** | At 1.0% **$502,000**

*This shows the portion of residential CET which would be available to the City

- **Limitations of CET:** Although CET generates funds that the City can explicitly use to meet its housing goals, the amount will not be sufficient to fully fund all projects. Additionally, administration for residential CET would be somewhat more complex due to requirement of separating out revenues toward the spending categories as specified in statute, while the funding available to cover administrative costs would be negligible.
- **Equity Considerations:** CET gives a certain amount of flexibility in deciding how to use revenues. The City could choose to focus on programs that have equitable outcomes.

Urban Renewal District

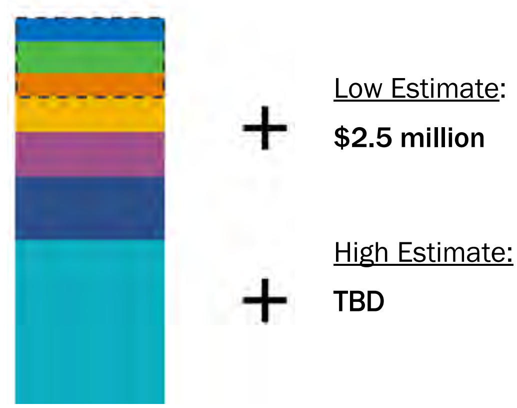
- **What does it do:** Within an active urban renewal district, tax increment financing (TIF), allows the jurisdiction to borrow against future property taxes in order to finance expenditures on current capital projects. This would be within specific district boundaries to support goals identified in the plan, including housing development. TIF funds cannot be used outside of the district and is mostly limited to capital projects. Cities sometimes use a share of revenue from urban renewal districts towards housing goals within district boundaries, including infrastructure that supports affordable housing or direct support for rehabilitation, acquisition, or site preparation.
- **Who initiates it:** In Oregon, after an area has been deemed 'blighted,' a local urban renewal agency can propose an urban renewal plan, which must go through a hearing with public testimony and planning commission recommendations. City Council may then adopt the urban renewal plan by ordinance. Assuming a TIF borrowing will be undertaken, a framework for the eligible uses of those TIF funds would be developed by the City, including any goals for affordable housing.
- **How does it work:** Tualatin's Core Opportunity Reinvestment Area, comprising commercial areas south of Bridgeport Road, Town Commons, I-5 Corridor, and

Tualatin-Sherwood Road, has potential to provide funding for housing projects within the area boundaries.

- **How can Urban Renewal be used to support affordable housing**: The Urban Renewal Plan for Tualatin's Core Opportunity Reinvestment Area could be used to support development of new infrastructure (such as water or wastewater upgrades or flood mitigation), land acquisition and parcel assembly, and for a variety of housing options.

  The City has not yet identified any specific actions that it will take to support housing development but expects to identify those actions as it implements the Urban Renewal Plan. Mixed-income development that integrates market-rate and affordable housing is a route that the City could pursue to avoid concentrating a large amount of affordable housing in one area, while still increasing the overall supply of units.

- **What is its potential funding impact:** Tualatin's newly adopted urban renewal area in the Core Opportunity Reinvestment Area could integrate goals for housing and access urban renewal funds. The current estimates for revenue to be generated in the next thirty years range from $248 to $362 million.[2] However, only a portion of this total funding would potentially go towards housing.
  The amount of funding available to support affordable housing development will be decided as the City implements its Urban Renewal plan. The City could also dedicate land currently owned by the City within the urban renewal area, which would also reduce acquisition costs for developers.

  If the City were to provide support for an affordable housing developer, the average gap funding needed per unit in Oregon is typically between $100,000 to $150,000 per unit (see section above). Depending on how many units are subsidized and how much of the gap is filled with urban renewal funding, a rough approximation would be $5 to $15 million to finance 50 to 100 units.

- **Limitations of Urban Renewal:** Urban Renewal funding can only be spent within the Urban Renewal District, which is a limited area within Tualatin, around downtown. Much of the Urban Renewal District area is in the floodplain, so the City will need to be careful to ensure that new housing is designed in locations that are sufficiently elevated above the flood plain and constructed of appropriately flood-resistant materials.

- **Equity Considerations:** Urban Renewal can provide a large amount of funding for housing for extremely and very low-income households. However, because it is geographically limited to the boundaries of the urban renewal plan area, it also has the potential to create areas of concentrated poverty. Housing in different areas of the city

---

[2] Tiberius Solutions and Elaine Howard Consulting, "Tualatin North District Urban Renewal Feasibility Study," August 31, 2020, https://www.tualatinoregon.gov/economicdevelopment/proposed-area-district-2, 11-13.

can also help to meet diverse household needs: for some it is critical to be located near social services, while other households (such as low-income families with children) may need to be located closer to amenities like schools and parks.

Summary of Potential New Funding for Affordable Housing

The City could choose to pursue a Construction Excise Tax on new buildings in Tualatin and would be able to flexibly decide the configuration within the limits set by the state. The City would be able to set the tax rate within these parameters, and determine whether to apply it to residential, commercial/industrial, or both construction types. The way that the City spends this revenue must also follow the framework set out by ORS 320.195, which ensures that a portion goes towards housing programs. The revenue that CET could generate for affordable housing over the five- and twenty-year period is likely to change based on trends in construction costs, inflation rates, the labor market, other economic factors.

The Core Opportunity Reinvestment Area is projected to generate a large amount of revenue through tax increment financing. Depending on the availability of funds in the next five years, a portion of this revenue could be used within the plan area for gap funding of affordable housing projects or other actions to support housing development such as site preparation or land acquisition.

Exhibit 4. Rough Estimate of Potential Tools to Generate Funds

Note: High and low funding estimates are derived from the analysis memos attached to this report

Tool	Funding Considerations	Impact on Affordable Housing	Five Year Estimate		Twenty Year Estimate	
			Low	High	Low	High
Construction Excise Tax	• For commercial and industrial CET, 50 percent of funds must be used for housing programs • For residential CET, 50% must be used for developer incentives	Medium	$251,000 (0.5% tax)	$502,000 (1% tax)	$1 million (0.5% tax)	$2.5 million (1% tax)
Urban Renewal	• Urban renewal revenue has limitations on applicable types of projects and location	High	$2.5 million	TBD	Unknown	Unknown

3. Strategic Actions that Reduce Costs for Affordable Multifamily Development

The funding tools in this section provide multiple options for the City to support development affordable multifamily development by reducing costs from property taxes or development costs. For each tool, there are multiple options for how the City could structure implementation.

In some cases, these tools could be used within a project that is eligible for multiple programs or combined with other tools that contribute funding, such as funds from the Construction Excise Tax. In many cases, these tools are combined with each other, as well as other ways to support affordable housing development, such as paying for needed infrastructure upgrades or land acquisition costs with Urban Renewal.

HPS Actions and Funding Plan Tools

The tools included in this funding plan align with some of the specific actions in the 2021 Tualatin Housing Production Strategy. The table below demonstrates the associated actions and funding tools.

HIP Tool	HPS Action
Low Income Tax Exemption	1.a Evaluate a Low-Income Housing Property Tax Exemption Program for Affordable Rental Housing
Multiple Unit Property Tax Exemption	4.b Evaluate Using the Multiple Unit Property Tax Exemption to Slow Rental Cost Increases
System Development Charge Exemption	1.b Evaluate Changes to Systems Development Charges

Nonprofit Low Income Tax Exemption

- **What does it do:** This tool provides a full property tax exemption for nonprofit-owned affordable housing serving households with incomes at or below 60% of MFI. This tax exemption supports development of income-restricted housing.
- **Who initiates it:** City Council can adopt the provisions of ORS 307.540 to 307.548 on its own taxes but requires approval from other taxing districts to extend beyond City taxes. The City's property taxes account for 16.5% of all property taxes, with the overlapping taxing districts including the Tigard-Tualatin School District (44.7%), Washington County (17.3%), Tualatin Valley Fire and Rescue (12.2%), Portland Community College (3.8%), Metro Regional Government (3.3%), Northwest Regional Education Service District (0.9%), Tigard-Tualatin Aquatic District (0.5%), and Soil Water Conservation Tualatin (0.5%), and Port of Portland (0.4%).
- **How does it work:** The City presently has adopted an exemption to only its own property taxes for low-income rental housing. It may also explore whether additional taxing districts are willing to join in the exemption. If the districts whose taxes comprise at least 51% of the total tax roll agree to participate, then all taxes for all districts would be exempted. This would provide a 10-year exemption for property owned or operated by a nonprofit entity, which may be renewed after the first ten years.

- **What is its potential funding impact:** This tax exemption is most effective when it all taxing districts participate. It is likely not a sufficient incentive to meaningfully support housing development if overlapping taxing districts do not participate.

  Tested on comparable developments in Tualatin and Tigard, over **five years** the **City's** nonprofit exemption would likely result in the City foregoing approximately $900 per year (an amount that will vary over time) for each unit. Assuming development of a building with 100 units of income-restricted affordable housing, the City would forgo about $90,000 per year in property taxes in a five-year time frame.

– Operating Cost Reduction Per Unit (City only, over 5 years):

$900

– Operating Cost Reduction Per 100 Units (City only, over 5 years):

$90,000

- **Limitations of the Nonprofit Tax Exemption:** The Nonprofit Tax Exemption does provide some gap financing support for organizations seeking to build affordable housing in Tualatin. However, since the City only accounts for 16.5% of total property taxes, this exemption is not as effective without the support of overlapping taxing districts.

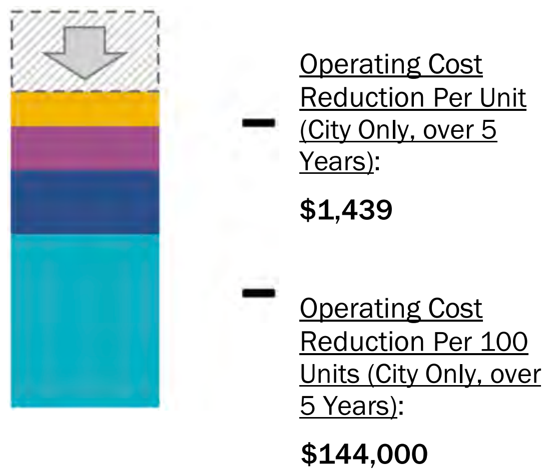
- **Equity Considerations:** Many nonprofit organizations also serve specific populations and may provide culturally specific or supportive services alongside housing. Examples in the region include Las Adelitas operated by Hacienda CDC, Casa Amparo operated by Centro Cultural, and Nesika Illahee operated by the Native American Youth and Family Center.

Multiple Unit Property Tax Exemption (MUPTE)

- **What does it do:** MUPTE provides a property tax exemption for up to ten years on the residential building portion a property (but not land or building area for other uses such as commercial space). The incentive is for private developers of housing affordable to households with incomes of 60% to 120% of MFI. MUPTE can be used to support development where all housing in the building is affordable below 120% of MFI or mixed-income housing, where some housing is priced higher.
- **Who initiates it:** City Council can adopt the exemption on its own taxes but requires approval from other taxing districts to exempt all property taxes on the building.
- **How does it work:** The City can exempt only its own property taxes for nonprofit low-income housing, or all taxes for all districts if the districts whose taxes comprise at least 51% of the total tax roll agrees to participate. This program is flexible, with City discretion over many aspects of eligibility, including the level of affordability

requirements, the minimum number of units in the property, and any design requirements.

- **What is its potential funding impact:** MUPTE could potentially create an incentive for private developers to offer rental units at a discounted rate that is affordable to moderate-income households. Other cities in Oregon have used this program with different configurations for affordability, though not all jurisdictions have these requirements:
  - In Newport, to meet MUPTE's local affordability requirements, projects may provide 20% of units at 80% of MFI or below, 10% of units at 60% of AMI or below, or make an in-lieu payment equal to 10% of the total property tax exemption.
  - In Salem, projects using the program with 100 units or more must provide at least 15% of units at affordable at 80% of MIF or below, or at least two public benefits (such as daycare facilities, ground level commercial space, etc.).
  - In Bend, the program does not have an explicit affordability requirement. Instead, developers must provide at least three public benefits from a list in the Municipal Code, which includes 'Affordable Housing' and 'Middle Income Housing,' though developers can alternatively include other features, including childcare, open space, or green building features.
- When tested on recent multifamily buildings in Tigard and Tualatin, the value of the exemption for the **City's** portion in **five years** was $1,439 for each unit. Assuming that a developer used the program on a new building with 100 units of income-restricted affordable housing, the **City** would forgo about $144,000 in property taxes over five years.



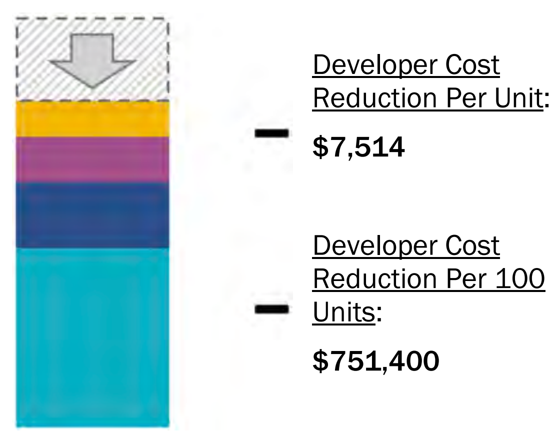
  The program configuration tested in our analysis (20% of units at 80% of MFI) would provide a net benefit to developers if the tax abatement applies to all overlapping taxing districts. However, **the city's share of the tax exemption alone is insufficient to provide a net incentive for developers**. If all taxing districts participated, this total benefit to developers would be $8,531 over the first five years, or $853,100 for 100 units.

  Potential sources of replacement funding: The City could backfill the forgone property taxes from MUPTE through use of CET funds if so desired.

- **Limitations of MUPTE:** The effectiveness of this exemption depends on whether it can incentivize developers to include affordable units in otherwise market-rate projects. To do so, MUPTE must generate a net profit. Our analysis shows that the City would need to achieve buy-in from overlapping tax districts if it were to use the benchmark of 20% of units at 80% of MFI in order to create a sufficient incentive. However, given the flexibility of the program the City could pursue a number of different configurations.

System Development Charge (SDC) Exemption

- **What does it do**: System Development Charges are one-time fees for new development, both for single-family and multifamily housing, that help pay for increased loads on infrastructure systems. Exempting SDCs reduces the upfront fees developers pay for those who provide new affordable units. In most cases the City will be required to backfill exempted SDCs from CET or another funding source.
- **What SDCs are paid in Tualatin**: New development pays the following SDCs:
  - Tualatin-specific SDCs: Water (typically around $1,150 per unit in a multifamily building, but varies based on the size of water meter) and Parks ($6,371 per unit)
  - SDCs for other service districts: Transit Development Tax ($6,542 per unit) and Sewer ($7,266 per unit)
- **Who initiates it**: City Council can adopt the exemption for City SDCs but would have to identify a source to backfill the forgone revenue from other sources. The City could also request that other districts that assess SDCs (sewer) or TDTs (roads) adopt an exemption, but either the City or that entity would also need to backfill the forgone revenue.
- **How does it work**: The City can exempt the system development fees that it controls for Parks and Water. In most cases, the City will be required to backfill the costs of the SDC waivers. If the City wanted to subsidize the costs of SDCs collected by other service providers (such as sewage or TDT), the City could subsidize those costs in agreement with the developer. The City could decide what level of affordability and the number of affordable units it will require for an exemption. SDC exemptions can be used to support development of both income-restricted and market-rate affordable units.
- **What is its potential funding impact:** Tualatin could provide an exemption for its two SDCs for Parks and Water but would likely have to backfill the forgone



revenue.[3] Exempting both **city-controlled SDCs** in multifamily buildings over **five years** would amount to approximately $7,514 per unit, or $751,400 for 100 multifamily units in that time period.

- **Potential sources of funding:** The City could backfill the SDC exemptions through use of CET funds.
- **Limitations of the SDC waivers:** There are a limited amount of City SDCs, which reduces the potential impact of this tool. An SDC exception will also require the City to backfill forgone revenue, and it may be more effective to use funds to directly supplement affordable housing projects.

Summary of Potential Cost Exemption Programs for Affordable Multifamily Development

Both Nonprofit Tax Exemption and MUPTE are recurring programs, where the City would most likely continue to forgo property tax revenue on the same units over time.

The Nonprofit Tax Exemption does not include a limit in its duration per state regulations. Therefore, developers could continue to receive the benefit as long as they are in compliance with the program criteria. MUPTE has a limit of 10 years included in state regulations. Although ORS 307.600-637 does allow for this timeframe to be potentially extended for projects that provide affordable housing, this analysis assumes that the incentive will be a recurring program that applies over a 10-year period.

Exhibit 5 shows what the total forgone revenue would be per unit and per 100 units over time. This analysis is based on the property taxes derived from the cost of recent buildings in the Tualatin area but would be likely to change over time based on construction costs, inflation, and other economic factors.

System Development Charges are not a recurring program and are instead a one-time charge on new development. The exemption would apply to new units as they are built but would not be forgone annual revenue for the City.

[3] Typically, cities in Oregon need to backfill forgone revenue when they offer exemptions, but in some cases (such as Tigard) cities do not backfill based on local legal interpretation.

Exhibit 5. Potential Tools for Subsidize Multifamily Development

Note: High and low funding estimates are derived from the analysis memos attached to this report

Tool	Funding Considerations	Impact on Affordable Housing	Five Year Estimate		Twenty Year Estimate	
			Per Unit	Per 100 Units	Per Unit	Per 100 Units
Nonprofit Low Income Tax Exemption	• Flexibility for City to set up program requirements • No required end to duration, renewable after 10 years • Supports deep affordability (<60% MFI)	Low	$900[4]	$90,000	$3,600	$360,000
Multiple Unit Property Tax Exemption	• Needs to create an incentive to private development • 10-year duration • Supports workforce housing (60-80% MFI)	Medium	$1,439	$144,000	$2,878[5]	$287,800
System Development Charges Exemption	• City will likely be required to backfill forgone revenue • Flexibility for City to set up program requirements • Can be set up to support workforce housing or deeper affordability	Medium	$7,514	$751,400	$7,514[6]	$3,005,600[7]

[4] The estimated annual costs are based on the first year of the exemption and would likely change in subsequent years based on construction costs, inflation rates, and other factors.

[5] The MUPTE program is limited by the state to 10 years, so this estimate is capped on a 10-year timeframe rather than 20 years.

[6] Because SDCs are a one-time charge for developers and not an ongoing cost like property taxes, the amount spent *per new unit* would only change with the rates charged by the City for Parks and Water SDCs.

[7] Because SDCs are only a one-time charge for developers, this amount assumes that 100 new units use the exemption every five years for a total of 400 units.

4. Strategic Actions to Increase and Retain Homeownership

The previous section identified programs that support new construction of multifamily apartment buildings that have income-restricted units or market-rate affordable units. Tools in this section address maintaining and increasing affordable homeownership opportunities for Tualatin residents. The HPS says that, in 2020, a household would need to earn about $140,500 a year (153% of MFI for a family of four) to afford the median sales price of a home in Tualatin ($492,000). More than 60% of Tualatin's households are unable to afford the median sales price of housing in Tualatin.

HPS Actions and Funding Plan Tools

The tools included in this funding plan align with some of the specific actions in the 2021 Tualatin Housing Production Strategy. The table below demonstrates the associated actions and funding tools.

HIP Tool	HPS Action
Down Payment Assistance	2.a Evaluate Impediments to Homeownership and Their Removal
Homeownership Assistance	8.a Evaluate Establishing Local Housing Rehabilitation Program

Increasing access to affordable homeownership for households with income below 120% of MFI may require assisting existing residents with programs that help them stay in their homes. In addition, helping renters become homeowners can provide stability and the potential to build wealth. Given the lower than average household incomes and disproportionate rates of cost burden among People of Color, homeownership is especially out of reach.

Cities can help moderate income households (between 80-120% of MFI) to achieve and maintain homeownership by contributing funds for down payments and/or reduce unexpected costs that homeowners may have to pay to maintain their homes. This section provides information about these strategic actions, including typical costs of these programs for cities in Oregon.

To understand the amount typically provided, this section references observations from other down payment and home rehabilitation programs in Oregon (see 'Homeownership Assistance Analysis' memorandum). Exhibit 6 provides a summary of the range of assistance provided by type.

Exhibit 6. Summary of Homeownership Assistance Program Types
Source: ECONorthwest analysis

Program Type	Who is Typically Served	Typical Assistance Provided per Household*	Potential Funding Sources**
Down Payment Assistance	First time home buyers (current renters) below 80% MFI	$25,000 – $110,000	US HUD (CDBG), OHCS (HOAP and CET revenue), Community Frameworks
Home Repairs	Existing low-income homeowners at or below 80% MFI	$10,000 – $50,000	US HUD (CDBG, HOME), OHCS (Repair Health and Safety Program), OHA (Healthy Homes Grants)
Weatherization	Existing low-income homeowners at or below 80% MFI	$10,000 – $25,000	US HUD (CDBG, HOME), public purpose charges, IIJA grants
Accessibility Improvements	Existing homeowners at or below 80% MFI, seniors, people with disabilities	$7,500 – $10,000	US HUD (CDBG, HOME)

*These ranges are derived from case studies in this analysis but not exhaustive of programs in Oregon
**If over $100,000 of state CDBG funds are used for administration costs they must be matched, but otherwise would not carry a matching requirement[8]

Down Payment Assistance

- **What does it do:** Down payment assistance programs reduce one upfront cost barrier for moderate income households to become first time homeowners by providing grant funds for a down payment. Some households may have the ability to pay for a mortgage but lack the savings necessary to pay for an upfront down payment on a house.

  Typically, programs that provide access to homeownership are able to reach households at 80 to 120% of MFI, while rental programs are more efficient at targeting deeper levels of affordability.[9] Although these programs typically have a higher cost per household served, they are aimed at providing longer term stability.

- **Who initiates it:** The City could develop and administer its own program or identify a partnering organization. Several nonprofit organizations operate down payment assistance programs in nearby jurisdictions with whom the City could work to provide funding and resources specific to Tualatin, including Proud Ground, Community Frameworks, and DevNW.

[8] US Department of Housing and Urban Development, "State CDBG Program Eligibility Requirements," n.d., https://www.hudexchange.info/programs/cdbg-state/state-cdbg-program-eligibility-requirements/.

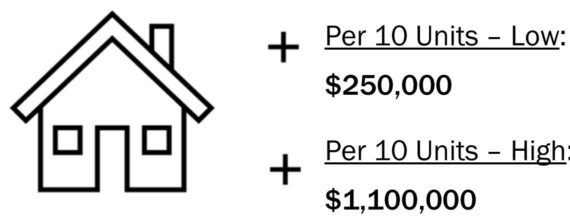
[9] US Department of Housing and Urban Development, "The HOME Program: HOME Investment Partnerships," September 20, 2017, https://www.hud.gov/hudprograms/home-program.

- **How does it work:** This type of program provides grants or forgivable loans to individual renter households to pay for initial down payments. Partnership between government entities and nonprofits can be successful in offsetting the amount of administration required from city staff for homeownership assistance programs and providing funds through existing sources like Community Development Block Grants.

  Some jurisdictions may choose to implement their own independent program directly. Local programs may allow city staff flexibility in setting stronger MFI provisions and measures to achieve equitable outcomes but will have higher administrative costs and staff effort needed.

- **What is its potential impact:** Partnerships to administer programs have been successful when offered in Tualatin's peer cities. Washington and Clackamas County, as well as organizations like Proud Ground offer potential partnership options for the City to leverage existing programs instead of creating new ones.

  In other homeownership programs surveyed in Oregon, the amount per unit offered varies between programs. We found that on the low end, cities provided at least $25,000 per household (in Springfield, OR where the program is administered directly by staff), with the highest amount of $110,000 provided in Beaverton through Proud Ground. If the City provided support, the cost **per ten units** would be between $250,000 to $1,100,000.



- **Limitations of down payment assistance:** Down payment assistance is typically more expensive per household served than other programs. It needs a substantial amount of funding which will likely go towards households with moderate income (80 to 120% of MFI) rather than residents with low income (50-80% of MFI) or extremely and very low income (<50% of MFI).

  Many down payment assistance programs also include other requirements that participants must meet, which can exclude households who have faced barriers to accumulating wealth. These include qualifying for a specific mortgage amount, meeting a minimum credit score, demonstrating a favorable debt-to-income ratio, providing proof of steady employment, and having personal savings to cover earnest money, inspections, and closing costs.

- **Equity Considerations:** Assisting first time homebuyers can be an effective strategy to help address the racial wealth gap in the United States.[10] Many people of color have been historically prohibited from purchasing homes through discriminatory practices, unable to access federal programs such as low-interest loans, and prevented from accumulating the generational wealth that many rely on for purchasing their first

[10] Michael Stegman and Mike Loftin, "An Essential Role for down Payment Assistance in Closing America's Racial Homeownership and Wealth Gaps" (Urban Institute, April 22, 2021), https://www.urban.org/research/publication/essential-role-down-payment-assistance-closing-americas-racial-homeownership-and-wealth-gaps.

home.[11] Down payment assistance can address the continuing homeownership gap by allowing households to overcome initial financial barriers to purchasing a home, but does not fully address these systemic inequalities.[12] Additionally, publicly funded and/or administered programs cannot give preference based on race or ethnicity, making it challenging to direct down payment programs specifically to homebuyers of color.

Home Rehabilitation

- **What does it do:** Home rehabilitation programs can help low to moderate income homeowners to pay for the following types of housing maintenance:
    - Major home repairs, such as roofing, electrical, or plumbing issues. The purpose of major home repair programs is to help people stay in their homes by addressing larger-scale maintenance problems that may force a homeowner to sell their house if they are unable to do essential work. *Typical Cost: $10,000-50,000*
    - Accessibility improvements include upgrades such ramps, doorway modifications, or handrail installation for seniors and/or disabled residents. These serve homeowners who may not have needed accessibility features when they purchased their home. *Typical Cost: $10,000-20,000*
    - Weatherization makes buildings more energy efficient by making upgrades to features like siding, windows, or mechanical systems. These improvements can reduce utility costs and contribute to climate goals, and proactively extend the life of housing units for existing homeowners. *Typical Cost: $7,500-10,000*
- **Who initiates it:** The City could initiate its own program with local funding or coordinate with existing programs to connect residents to these resources. Washington and Clackamas counties operate home rehabilitation programs in nearby jurisdictions, with whom the City could work to provide funding and resources specific to Tualatin:
    - Washington County's HARDE program is available for residents below 50% of MFI who are disabled or over the age of 62. Although it is primarily targeted at homeowners, renters may also apply for accessibility improvements up to $10,000. The deferred interest-bearing loans (DIBL) program is also available is for homeowners between 50-80% MFI up to $25,000.
    - Clackamas County also provides assistance through accessibility grants up to $7,500 for low-income homeowners and eligible renters at or below 80% of MFI; and a

[11] Tim Henderson, "Black Families Fall Further behind on Homeownership," The Pew Charitable Trusts, October 13, 2022, https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2022/10/13/black-families-fall-further-behind-on-homeownership.

[12] Jung Hyun Choi and Laurie Goodman, "What Explains the Homeownership Gap between Black and White Young Adults?," Urban Institute, November 20, 2018, https://www.urban.org/urban-wire/what-explains-homeownership-gap-between-black-and-white-young-adults.

deferred payment loan (DPL) program for home repair loans up to $35,000 depending on the project type. DPL also covers weatherization up to $25,000.

- **How does it work:** These programs provide funds to individual households either through low-interest/deferred payment loans or outright grants for specific types of home projects. Deferred payment loans in both Washington and Clackamas County accrue only 3% interest for up to ten years and do not need to be paid monthly.
- **What is its potential impact:** Like down payment assistance, partnerships with the county and nonprofit organizations are often an effective way to deliver home rehabilitation programs. To understand the amount of assistance typically provided, we surveyed other home rehabilitation programs surveyed in Oregon, including City and County-funded programs, summarized above in Exhibit 6.

  The amount offered per unit offered varies by the type of support. Accessibility improvements tend to be lower and major repairs tend to be highest. If the City provided this type of support, the range of funding needed **per ten units** would be between $75,000 to $500,000.

+ Per 10 Units – Low: **$75,000**

+ Per 10 Units – High: **$500,000**

- **Limitations of the rehabilitation assistance:** Like down payment assistance, home rehabilitation is typically more expensive per household served than strategies that target multifamily housing. This substantial funding typically goes to households that are moderate income (between 80 to 120% of MFI), rather than households with low (50-80% of MFI) or extremely and very low (<50% of MFI) incomes.
- **Equity Considerations:** Home rehabilitation work targets people who are already homeowners, but who may still face displacement pressures due to a number of circumstances. Some types of home repair work explicitly towards equitable outcomes, such as accessibility improvements for disabled residents or older adults.

Summary of Potential Strategic Actions to Increase and Retain Homeownership

The low and high estimates for Down Payment Assistance and Home Rehabilitation funding are based on a limited survey of other programs in the region. There may be variation in the amount needed in Tualatin based on a number of factors, including the cost of labor and materials for home repair, home prices, and the type of rehabilitation work needed.

The number of households served may also vary by the type of rehabilitation work needed or size of down payments provided. For instance, if a large share of households sought accessibility improvement grants (which are typically less expensive than major home repairs), the same total amount of funding may be able to serve more households.

Exhibit 7. Potential Tools to Support Homeownership

Note: High and low funding estimates are derived from the analysis memos attached to this report

Tool	Funding Considerations	Impact on Affordable Housing	Low Estimate Per 10 Units	High Estimate Per 10 Units
Down Payment Assistance	• City can likely access CET revenue from OHCS • Recipients must meet other criteria (credit score, earnest, etc.)	Medium to High	$250,000	$1,100,000
Home Rehabilitation	• CDBG funds are typically used for these programs • Typically supports moderate income levels (80-120% MFI) • Can be delivered as grants or deferred payment/low interest/ forgivable loans	Low to Medium	$75,000	$500,000

5. Tradeoffs and Conclusions

This plan includes tools that **provide** the city with new revenue to fund affordable housing programs or **forgo** potential city revenue that enable affordable housing development. There is also detail on potential affordable housing programs that **require** funding. The table below summarizes the potential conflicts and considerations for each tool in the plan. Although these are estimates based on analysis in the Appendices, they highlight the relative tradeoffs between funding options.

Housing Needs

Over the next twenty years, the greatest need for new **affordable units** will be for extremely and very low-income households below 50% of MFI. While the largest group of new housing needed will be market rate (serving those at or above 120% of MFI), it is assumed that most of these units will not require any of the public subsidy covered in this plan.

Income Category	Affordability MFI Level	New Units Needed in 5 Years	New Units Needed in 20 Years
Extremely and Very Low Income	<50%	77	307
Low Income	50-80%	38	151
Moderate Income	80-120%	39	157
Market Rate	120%+	100	399
Total	-	**254**	**1,014**

Fiscal Impacts and Tradeoffs

Increases or decreases to the taxes or fees that developers pay can have a myriad of impacts. Some considerations to take into account:

- Over a five-year period, a **Construction Excise Tax** might provide up to $500,000 that the City may use for some of the actions in this plan which require funding (such as rehabilitation funds and down payment assistance), or to backfill forgone revenue. The state also has some restrictions on how CET revenue can be spent. For residential CET, the state requires the City to use 50 percent towards developer incentives like SDC exemptions, and that 15 percent goes to state down payment assistance programs. Commercial and industrial CET funds are more flexible, only requiring that 50 percent of funds are used for housing-related projects.
- **Urban Renewal** revenue has some flexibility in terms of uses and can theoretically be used on everything from homeownership and home rehab programs to parking infrastructure to backfilling lost SDC funds. These funds are restricted to the urban renewal area, which impacts the flexibility of where projects could take place.
- **Property tax abatement programs**, including MUPTE and the nonprofit tax exemption, are eligible at the time of construction, and as such, do not reduce existing revenue levels. Nonetheless, it is potential revenue lost and could be made up in new CET funds if so desired.

- **SDC exemptions** will likely require the City to backfill forgone revenue, as new construction increases the capacity that infrastructure must accommodate. SDCs could be backfilled using CET funds, but may not be sufficient on its own.
- **Down payment assistance** requires a large amount of funding and serves a relatively smaller number of households. However, it would provide longer term stability for Tualatin residents and could help to achieve homeownership for groups who have faced historical barriers. The cost for **home rehabilitation** programs is also high and serves relatively few households but varies significantly by the type of assistance offered. While large home repairs can require more contribution per household, weatherization and accessibility programs can typically cost less.

Exhibit 8. Summary of Financial Tradeoffs Between Funding Tools

Tool	Population Served	Provides, Forgoes or Requires Revenue?	Estimated Funding Range	
			5 Years	20 Years
Construction Excise Tax	Moderate Income and lower-income households	**Provides Funding**	$251,000-502,000	$832,000-$1,664,000
Urban Renewal	Current and future residents within urban renewal area	**Provides Funding**	$2.5 million	$2.5 million
Nonprofit Low Income Tax Exemption	Extremely and Very Low Income (<50%)	**Forgoes Revenue**	$90,000[13] per 100 units	$360,000 per 100 units
Multiple Unit Property Tax Exemption	Low Income (50-80%)	**Forgoes Revenue**	$144,000[14] per 100 units	$287,800 per 100 units[15]
System Development Charges Exemption	Extremely and Very Low Income (<50%) or Low Income (50-80%)	**Forgoes Revenue**	$751,400 per 100 units	$3,005,600 per 400 units[16]
Down Payment Assistance	Moderate Income (80-120%) Seniors or disabled residents	**Requires Funding**	$250,000 - $1,100,000 per 10 units	$1,250,000-4,400,000 per 40 units
Home Rehabilitation	Moderate Income (80-120%)	**Requires Funding**	$75,000 - $500,000 per 10 units	$300,000 - $2,000,000 per 40 units

[13] The estimated annual costs are based on the first year of the exemption and would likely change in subsequent years. This estimate shows only the City's portion of property taxes.

[14] The estimated annual costs are based on the first year of the exemption and would likely change in subsequent years. This estimate shows only the City's portion of property taxes.

[15] The MUPTE program is limited by the state to 10 years, so this estimate is capped on that timeframe, not 20 years.

[16] Because SDCs are only a one-time charge for developers, this amount assumes that 100 new units use the exemption every five years, for a total of 400 new units using the program.

Equity Impacts and Tradeoffs

Each of the strategic actions in this funding plan have tradeoffs related to equitable housing outcomes. These benefits and challenges include critical considerations for the recommendations in this plan and should be integrated in decision-making for affordable housing in Tualatin.

Exhibit 9. Summary of Equity Considerations Funding Tools

Strategic Action	Equity Benefits	Equity Challenges
Construction Excise Tax	• Allows some flexibility in deciding how to use revenues • The City could choose to focus on programs that have specific equitable outcomes	• State statute somewhat limits the options for what can be done with CET; a portion for residential must go towards developer incentives • A CET increases housing costs for some types of housing to lower costs for more affordable housing.
Urban Renewal	• Can provide a larger amount of funding for housing for extremely and very low-income households, as well as low- and moderate-income households	• Geographic limitations create the potential to create areas of concentrated poverty if most of the city's affordable housing is built exclusively in the urban renewal district.
Nonprofit Low Income Tax Exemption	• Supports development of housing that serves very low-income levels • Nonprofits may often provide culturally specific or other services alongside housing • Multifamily housing typically serves more households for less cost per unit	• Tax exemptions forgo revenue for the City general fund which could be used for other citywide programs and operations.
Multiple Unit Property Tax Exemption	• Supports moderate-income and mixed-income development, which may provide affordable units in higher opportunity areas across the city • Multifamily housing may serve more households for less cost per unit	• Limited time frame for program applicability (10 years), after which rents would likely increase to market-rate. • Tax exemptions forgo revenue for the City general fund which goes to citywide programs and operations.
System Development Charges Exemption	• Can be used to support development of housing that serves low-income levels • Multifamily housing may serve more households for less cost per unit	• Higher cost per household means that assistance serves relatively fewer people
Down Payment Assistance	• Often benefits households who have been historically excluded from homeownership • Allows households to build intergenerational wealth through home equity	• Higher cost per household means that assistance serves relatively fewer people • Limited funding creates challenging questions around who receives assistance
Home Rehabilitation	• Benefits existing low-income homeowners in Tualatin and ensures longer term stability • Some programs specifically provide resources for disabled residents and seniors	• Higher cost per household means that assistance serves relatively fewer people

Conclusions

Strategic actions that support development of **multifamily rental housing,** (including property tax and SDC exemptions) are likely to serve a greater number of households at low, extremely and very low incomes. These actions could address the needs of a larger overall portion of Tualatin's projected housing needs, and typically require less public subsidy per unit compared to homeownership.

- The **Nonprofit Low Income Tax Exemption, MUPTE**, and **SDC exemptions** all increase equitable access to housing in this way. If the City implemented all three of these, then the amount of forgone revenue in the next five years would be **$985,000**. Most of this total amount would be from SDC exemptions.
- In the case of the nonprofit exemption and MUPTE, **City taxes only account for about 16 percent of the total property tax roll**. If other taxing bodies which made up at least 51 percent of the total tax roll agreed to participate, then all taxes for all districts would be exempted per state statute. This could increase the exemptions for 100 units over five years by an estimated $448,000 for the nonprofit exemption and $709,000 for MUPTE, outside of the City's taxes.

Strategic actions that target **homeownership** are more likely to benefit a smaller pool of moderate-income households but do typically provide longer term stability than multifamily rental units.

- **Down payment assistance** has a high cost on a per unit basis and can likely only serve a small number of households. While urban renewal revenue could potentially be used for funding these programs, single family homes do not comprise a large share of the new Core Opportunity Reinvestment Area. Based on a survey of what other jurisdictions offer, the cost for a down payment program could range from **$250,000** to **$1,100,000** in the next five years.
- For **home rehabilitation** programs, the cost per household and direct equity benefit varies substantially depending on the type of project. The projected cost for a home rehabilitation program in the next five years could range from **$75,000** to **$500,000**. Several other state and federal sources are also available for home rehabilitation programs which the City could pursue outside of the tools in this plan (see Exhibit 12).

Tualatin has limited sources of generating local revenue to be used for affordable housing programs. The total cost of both the multifamily rental housing and homeownership programs described above could be between **$1.3 to $2.5 million,** which new revenue sources will likely not be able to cover entirely. Most of this variation in program costs is based on what amount would be allocated to homeownership programs.

- **CET will not produce enough revenue to fund all of these programs**, as it is only estimated to provide up to **$500,000** in the next five years if it covered residential, commercial, and industrial construction. The state also sets out rules for how revenue must be distributed. Construction and industrial CET is flexible, but **50 percent of**

residential CET revenue must go developer incentives like tax exemptions and SDC exemptions (about $48,000).

- **Urban Renewal** may be able to provide the largest single source of funding at **$2.5 million** in the next five years, which can potentially help to fund SDC exemptions and homeownership programs. However, **urban renewal funds are not able to meet all of Tualatin's affordable housing needs because their use is geographically limited to the boundaries of urban renewal districts.** There is limited single-family housing currently within the Core Opportunity Reinvestment Area that could use down payment or home rehabilitation assistance. Additionally, concentrating a large share of Tualatin's new affordable units in one area could have unintended consequences of creating a concentrated area of poverty.

Additional Questions for Decisionmakers

The City will need to carefully consider how to spend the limited local funding that will be available for affordable housing in the next five years. The following questions are intended to help guide decision makers in Tualatin in how to allocate these resources.

- Does the City want to prioritize serving more renter households through multifamily housing programs or providing homeownership support for a smaller number of households? What is most efficient? What best fits the City's equity goals?
- Would the City fund the remaining gap between costs needed for down payment assistance/home rehabilitation? How much could the City provide per year beyond CET and urban renewal funds? Would it pursue alternative external sources like state or federal funding?
- Is the City interested or able to forgo local tax exemptions like the nonprofit tax exemption and MUPTE as opposed to backfilling? Would the City want to use the share of CET for developer incentives to backfill MUPTE? Or the nonprofit tax exemption? SDCs?
- Could some of the SCD exemptions be applied in the Core Opportunity Reinvestment Area? How much urban renewal revenue is the City willing to dedicate to housing?

Additional Funding Tools

ECONorthwest evaluated additional potential funding tools such as new taxes or fees that could be used to fund affordable housing initiatives, as well as grants, partner contributions, and state funding (detailed in the Additional Funding Tools Analysis memorandum and summarized below in Exhibit 12).

Many of the largest funding sources would require popular buy-in or a public vote but likely lack political viability; others are restricted by state law. Grants and partner contributions can have an impact but are likely not ongoing sources that could be used for continued programs. If the City did find additional funding sources, it could centralize revenue from them (and others listed in this report) in an Affordable Housing Trust Fund. This could be used as a vehicle to fund projects with oversight from a committee who set clear criteria for use and prioritization.

Exhibit 10. Summary of New Funding Sources Evaluated

Revenue Source	Potential to Implement	Description	Assessment
Most Common Local Sources			
General Fund Revenue	Low	Contribution from the city's general budget	Can contribute directly but competing with other city priorities
Tualatin-specific or regional General Obligation (GO) Bond	High	Increases property taxes to pay back the amount of bonds taken out by the city for capital projects In 2018, voters approved a regional GO Bond for housing for the Metro region. Funds from that bond are being used to create permanently affordable housing. Metro may consider issuing an additional GO Bond.	Requires a public vote but could provide long term stable source Tualatin could be the recipient of additional funding from a new Metro GO Bond.
Local Option Levy	Medium	A time-limited property tax issued as a rate used for capital projects, operations, or programs	Also requires a public vote but GO bond is probably better
Increases to Existing Taxes and Fees			
Lodging Tax	Medium	An increase to the city's current lodging tax levied on hotels, motels, and short-term rentals, paid by visitors	Uses of revenue are restricted by the state; majority (70%) for tourism
Marijuana Tax	Medium	A targeted change in the city's current marijuana tax levied on marijuana purchases, paid by consumers	Marijuana tax revenues may already be at their maximum for Oregon
Building and Planning Permit Fee Surcharge	Low to Medium	An additional charge added to the city's existing fee for staffing and operational costs	The City has relatively low fees now, but increasing them would not help to incent new housing development
Utility Fee Surcharge	Low to Medium	An additional fee on utility bills, similar to the city's current parks utility fee	Potential nexus with infrastructure to support affordable projects

System Development Charges (SDCs)	Low	An increase to the city's existing one-time fees charged on new buildings, paid by developers	Conflicts with strategy to exempt SDCs for certain affordable development
New Taxes and Fees			
Business License Fee	Low	An additional fee issued with new business licenses	Could hinder economic development goals
Food and Beverage Tax	Low	A tax added to food and beverage sales within the city, paid by consumers	Unlikely to be politically viable
Real Estate Transfer Tax	Low	A tax levied on real estate transactions, paid by property owners	Not proven legal in Oregon
Sales Tax	Low	A tax on retail goods purchased within the city, paid by consumers	Unlikely to be politically viable
Payroll/Business Income Tax	Low	A tax for local business revenue, paid by business owners	Likely to face pushback from business community
Vacancy/Second Home Tax	Low	A tax levied on homes that are unoccupied for a certain period of time, paid by property owners	Likely not legal in Oregon or enough vacation homes
Other Funding Sources			
Donations and Gifts	Medium	Funds given by private foundations, firms, or individuals	Could have a mid-sized to low impact and likely to fluctuate
Grants	Medium	Funding from public agencies or companies for a specific purpose that the city applies for	Dependent on grant writing capacity and changing availability
State Funding (OHCS)	Medium to High	Oregon Housing and Community Services (OHCS) provides a number of funding opportunities for which Tualatin would be eligible including grants and CET	Mostly available as one-time contributions but can be spread out over years
State Funding (OHA)	High	OR HB 2842 (adopted in 2021) directs the Oregon Health Authority (OHA) to provide $10 million in grants to fund the Healthy Homes program aimed at weatherization, accessibility, and home repair programs	A task force is currently working to configure eligibility for households to access program, which the City would need to include in its criteria if it received funding to implement this program
Federal Funding (IIJA)	High	The 2021 Infrastructure Investment and Jobs Act (IIJA) included $3.5 billion in funding for the federal Weatherization Assistance Program (WAP) for states and local jurisdictions nationwide	In Oregon, OHCS has an allocation for WAP; local jurisdictions can apply through them

Approval Processes and Administration

All of the tools in the funding plan will need buy-in from the public, City Council, and partners (such as overlapping taxing districts, developers, etc.). Decisions to implement some tools may require a public vote (such as a Local Option Levy) or Council decision, which should provide opportunities for public discussion about implementation of the strategic actions presented in this plan (as well as others in the HPS).

The need for City staff resources and ongoing administration/reporting are another consideration beyond funding that may impact whether these tools can be effective. The next section of this report (Chapter 3: Recommendations) includes general discussion of administration but will likely require refinement by the City.

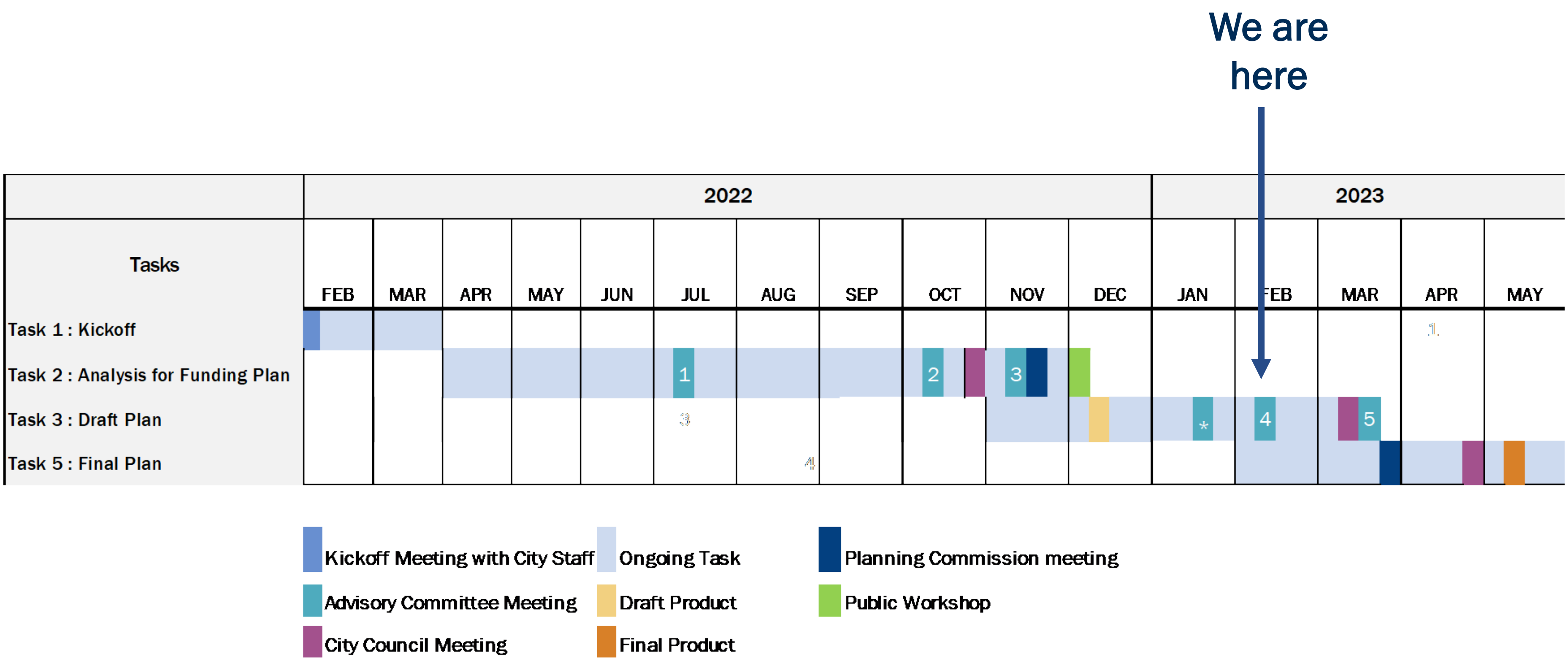
Tualatin's Strategic Equitable Housing Funding Plan

Project Advisory Committee
Meeting 4

February 15, 2023

ECONorthwest
ECONOMICS · FINANCE · PLANNING

Project Schedule and Primary Tasks



Discussion with Committee for this Meeting

- Do you have questions about the strategic actions?
- Do you have feedback about the financial or equity tradeoffs?
- Potential recommendations to the City Council for discussion.

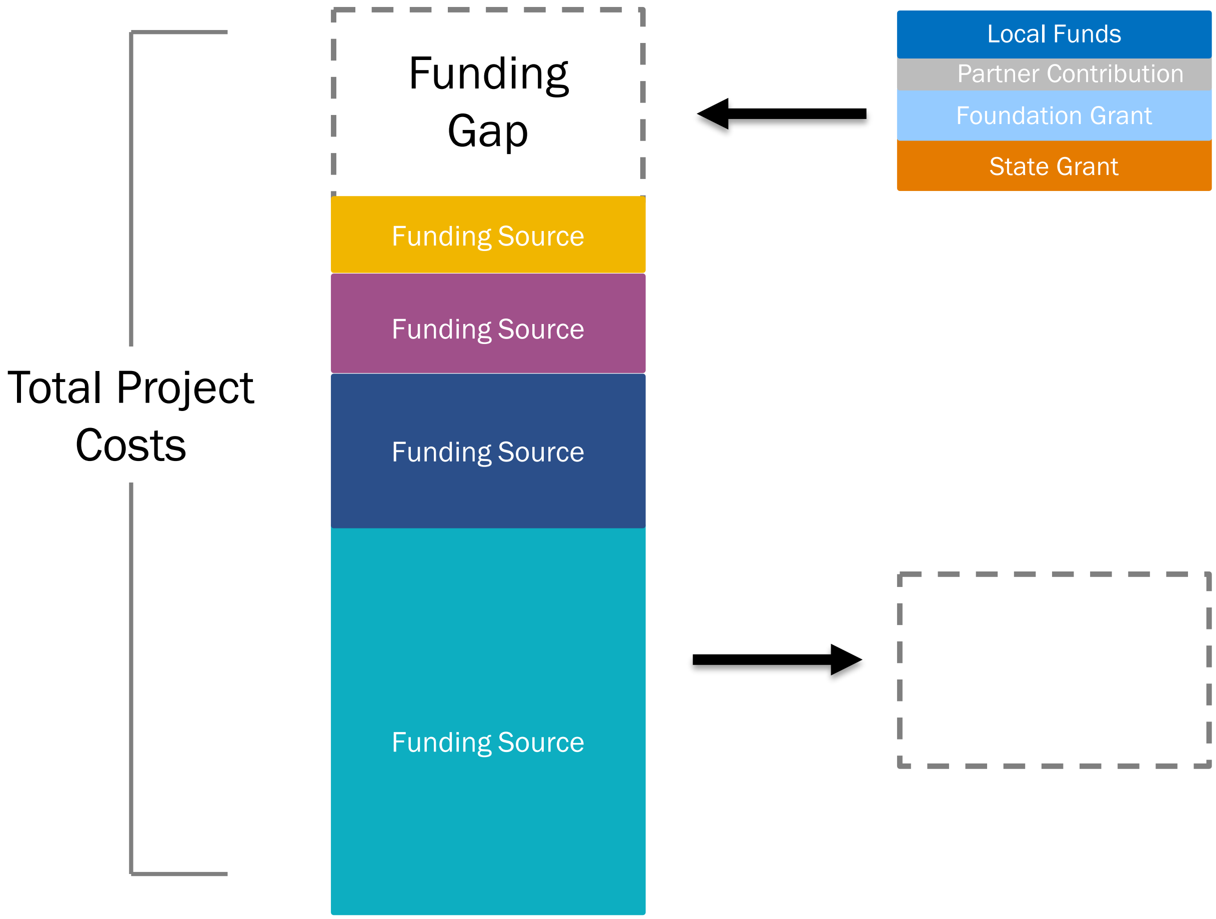
Recap of Previous Meetings

Strategic Actions Discussed

Actions that Generate Revenue	Actions that Forgo Revenue	Actions that Require Revenue
▪ Construction Excise Tax (CET) ▪ Urban Renewal Area	▪ Nonprofit Low Income Tax Exemption ▪ Multiple Unit Property Tax Exemption (MUPTE) ▪ SDC Exemption	▪ Down Payment Assistance ▪ Home Rehabilitation Programs

Funding Affordable Housing

Affordable housing often falls short of the funding necessary for new construction. In order to make projects feasible, developers can…



Add new funding to fill the gap

(Grants, local contributions, partner funding, etc.)

OR

Reduce costs to remove the gap

(Tax exemptions, reduced fees, add market rate units, etc.)

Forecast of Housing Need in Tualatin, 2020-2040

Total		**254**	**1,014**	**8,169**
Income Category	**MFI Level**	**New Units Needed in 5 Years**	**New Units Needed in 20 Years**	**Existing Households**
Extremely and Very Low Income	<50%	77	307	3,288
Low Income	50-80%	38	151	1,588
Moderate Income	80-120%	39	157	1,614
Market Rate	120%+	100	399	1,679
Total	-	**254**	**1,014**	**8,169**

Targeting Households with Income of 80% or Less of MFI

Source: U.S. Department of HUD 2021. U.S. Census Bureau, 2016-2020 ACS Table 19001.
Note: MFI is Median Family Income for a Family of 4.

Median Home Sale Price: **$492,000** (Redfin)

Requires $123,000 income (133% of MFI) to afford

Average Monthly Rent: **$1,334** (not including utilities, 2-bedroom units, (CoStar))

Assuming $250 per month in utilities (total of about $1,580 in monthly cost), average rental housing costs requires $63,000 income (65% of MFI) to afford)

Discussion throughout the meeting…

- Do you have questions about the tools?
- Do you have feedback about the financial or equity tradeoffs?
- Potential recommendations to the City Council for discussion:
  - Move forward to implementing the actions in this Plan
  - Use this analysis to inform how to implement the actions, paying attention to the tradeoffs of the actions
  - Other recommendations?

Fiscal Impacts and Tradeoffs

Key assumptions about Estimated Costs/Revenues

Construction Excise Tax (CET)	**Urban Renewal Area**
Adds revenue to the City through new local regulation	**Adds revenue in a specific area through tax increment financing**
• Assumes that the City would pursue a **1% rate** for both **residential and commercial/industrial CET** • Based on historical prices for residential and commercial/ industrial development in the past 5 years • Estimated $500,000 in revenue over 5 years	• Core Opportunity Reinvestment Area has the most potential to use TIF for affordable housing • Assumes that the City will bond within the first five years of the plan • Based on approximation from conversations with City staff and rough valuation in the plan • Estimated $2.5 million available for multiple uses in the URA

Key assumptions about Estimated Costs/Revenues

Nonprofit Tax Exemption	MUPTE
Forgoes revenue to the City for	**Adds revenue in a specific area through tax increment financing**
• Our estimates show the **City's share of taxes** only (about 16.5% of the total tax roll) • Shows the value for **100 new units** using the exemption over a period of **5 years** • Based on prices of recent affordable multifamily housing developments in Tualatin or Tigard • Estimated to cost \$90,000 for 100 units over 5 years	• Our estimates show the **City's share of taxes** only (about 16.5% of the total tax roll) • Shows the value for **100 new units** using the exemption over a period of **5 years** • Assumes that rents will be discounted for **20% of units to 80% AMI level** • Based on prices of recent market rate multifamily housing developments in Tualatin or Tigard • Estimated to cost \$144,000 for 100 units over 5 years

Key assumptions about Estimated Costs/Revenues

System Development Charge Exemptions

Adds revenue to the City through new local regulation

- Our estimates show the City's SDCs only: Parks and Water (not other service providers like Sewer)
- Shows the value for **100 new units total** over a period of **5 years**
- Parks SDC is a flat rate per unit, but Water SDC is dependent on the size of the building's water meter
- Water estimate is based on recent multifamily housing developments in Tualatin
- Estimated to cost $751,000 for 100 units over 5 years

Key assumptions about Estimated Costs/Revenues

Down Payment Assistance	Home Rehabilitation Programs
Provides funding to support first-time home buyers	**Provides funding to stabilize existing residents**
• Shows the value for down payment support on **10 homes** per year over a period of **5 years** • Uses similar programs in Oregon for comparison, including regional variation likely due to differing housing prices • Est to cost $250,000 to $1,100,000 for 10 units, depending on subsidy granted	• Shows the value for home rehabilitation projects for **10 homes** per year over a period of **5 years** • Uses similar programs in Oregon for comparison, including a wide variation by the type of home rehabilitation program (repairs, weatherization, etc.) • Est to cost $750,000 to $500,000 for 10 units, depending on subsidy granted

Summary

Tool	Population Served	Provides, Forgoes or Requires Revenue?	Estimated Funding Range	
			5 Years	20 Years
Construction Excise Tax	Moderate Income and lower-income households	**Provides Funding**	$251,000-502,000	$832,000-$1,664,000
Urban Renewal	Current and future residents within urban renewal area	**Provides Funding**	$2.5 million	$2.5 million
Nonprofit Low Income Tax Exemption	Extremely and Very Low Income (<50%)	**Forgoes Revenue**	$90,000[1] per 100 units	$360,000 per 100 units
Multiple Unit Property Tax Exemption	Low Income (50-80%)	**Forgoes Revenue**	$144,000[2] per 100 units	$287,800 per 100 units[3]
System Development Charges Exemption	Extremely and Very Low Income (<50%) or Low Income (50-80%)	**Forgoes Revenue**	$751,400 per 100 units	$3,005,600 per 400 units[4]
Down Payment Assistance	Moderate Income (80-120%) Seniors or disabled residents	**Requires Funding**	$250,000 - $1,100,000 per 10 units	$1,250,000-4,400,000 per 40 units
Home Rehabilitation	Moderate Income (80-120%)	**Requires Funding**	$75,000 - $500,000 per 10 units	$300,000 - $2,000,000 per 40 units

How can the City use CET?

- **State law includes some restrictions** on how cities can use residential and commercial/industrial CET
- The City could use part of CET revenue to **backfill forgone revenue** from the nonprofit tax exemption, MUPTE, or SDCs
- The City could also use CET revenue to **directly fund homeownership programs** like down payment and home rehabilitation assistance

ORS 320.195 Requirements

Residential CET:

- 50% must be used for developer incentives
- 35% may be used flexibly for affordable housing programs

Commercial/Industrial:

- 50% must be used for housing programs
- 50% can be used flexibly

How can the City use Urban Renewal?

- Urban renewal revenue must be used **within the boundaries of an active urban renewal area,** typically for capital projects
- The City could use urban renewal funds for **SDC exemptions** or **rehabilitation of multifamily buildings**
- Providing **down payment or home rehabilitation assistance** for individual households in the plan area is possible, but limited in scope

ORS 457.170 Requirements

Urban Renewal revenues can be used for projects that are included in the area plan's goals, including:

- Utilities
- Infrastructure
- Rehabilitation and conservation work
- Property acquisition
- Clearance or rehab of acquired property
- Relocation of displaced residents or property
- Selling or leasing property

The total cost of the strategic actions that forgo or require revenue in this analysis is between **$1.3 to $2.5 million**

- SDC exemptions, Nonprofit Tax Exemption, MUPTE are estimated to cost **$985,000** in forgone revenue, most of which is from SDC exemptions and will need to be backfilled.
- Home ownership and down payment assistance could cost between **$325,000** to **$1.6 million**, depending on how much and what type of support the City provides.

Conclusions

The revenue generated from strategic actions **will not be able to fund all these programs**

- The Core Opportunity Reinvestment Area could provide up to **$2.5 million** in urban renewal funds - but can only be used within plan boundaries and for some types of projects.
- CET <u>may</u> provide about **$500,000** in the first five years, which is mostly flexible in how the City can use it. A share must go to developer incentives (like SDC and tax emptions).
  - CET may also provide less than $500,000

Equity Impacts and Tradeoffs

Construction Excise Tax

Question: Are we missing key equity benefits or challenges?

Equity Benefits	Challenges
• Allows some flexibility in deciding how to use revenues • The City can choose to focus on programs that have specific equitable outcomes	• State statute somewhat limits the options for what can be done with CET funds • CET increases housing costs for some types of housing to lower costs for more affordable housing.

Question: Are we missing key equity benefits or challenges?

Equity Benefits	Challenges
• Can provide funding for housing for extremely and very-low income households, as well as low- and moderate-income households	• Geographic limitations create the potential to concentrate affordable housing in one part of the City, creating concentrated areas of poverty • Potential to displace existing residents in the URA

Nonprofit Low Income Tax Exemption

Question: Are we missing key equity benefits or challenges?

Equity Benefits	Challenges
• Serves very low-income households (<60% MFI) • Nonprofits may provide culturally specific or other services along with housing • Multifamily housing serves more households for less cost per unit	• Tax exemptions forgo revenue for the City general fund, which could be used for other citywide programs and operations

Multiple Unity Property Tax Exemption

Question: Are we missing key equity benefits or challenges?

Equity Benefits	Challenges
• Supports moderate-income and mixed-income development • May provide affordable units in high opportunity areas across the city • Multifamily housing serves more households for less cost per unit	• Limited time frame for program applicability (10 years) – afterwards rents would likely increase to market rate • Tax exemptions forgo revenue for the City general fund

System Development Charge Exemption

Question: Are we missing key equity benefits or challenges?

Equity Benefits	Challenges
• Can be used to support development of housing that serves low-income levels (<60% MFI) • Multifamily housing serves more households for less cost per unit	• SDC exemptions must be backfilled from other sources of funding • SDC exemptions forgo revenue for the City general fund, which could be used for other citywide programs and operations

Down Payment Assistance

Question: Are we missing key equity benefits or challenges?

Equity Benefits	Challenges
• Can benefit households who have been historically excluded from homeownership • Allows households to build intergenerational wealth through home equity	• Higher cost per household means that assistance serves relatively fewer people • Limited funding creates challenging questions around who receives assistance

Home Rehabilitation Programs

Question: Are we missing key equity benefits or challenges?

Equity Benefits	Challenges
• Benefits existing low-income homeowners in Tualatin and ensures longer term stability	• Higher cost per household means that assistance serves relatively fewer people
• Can specifically provide resources for disabled residents and seniors to make accessibility improvements	• Limited funding creates challenging questions around who receives assistance

Recommendations for Building in Equity

- Additional opportunities for building equity into implementation of the HPS:
  - Membership of the oversight committee, ensuring representation from underrepresented groups
  - As actions are implemented, reaching out to BIPOC and disproportionately cost burdened groups to get additional input on how actions are implemented
  - Partnership with nonprofits who provide specific types of support (ex. Culturally specific outreach)
  - *Others?*

Key Questions for Decisionmakers

- Does the City want to prioritize serving more renter households through multifamily housing programs or providing homeownership support for a smaller number of households?
  - What is most efficient?
  - What best fits the City's equity goals?
- Would the City fund the remaining gap between costs needed for down payment assistance/home rehabilitation?
  - How much could the City provide per year beyond CET and urban renewal funds?
  - Would it pursue alternative external sources like state or federal funding?

Key Questions for Decisionmakers

- Is the City interested or able to forgo local tax exemptions like the nonprofit tax exemption and MUPTE as opposed to backfilling?
  - Would the City want to use the share of CET for developer incentives to backfill MUPTE?
  - Or the nonprofit tax exemption?
  - SDCs?
- How much urban renewal revenue is the City willing to dedicate to housing?
  - Could some of the SCD exemptions be applied in the Core Opportunity Reinvestment Area?
  - Could it be used for land acquisition? Homeownership assistance programs?

Conclusions and Recommendations

- Are there implications of the analysis or recommendations that we have not discussed?

- Are there more key questions we should make sure to highlight for decisionmakers?

Discussion

- Do you have questions about the tools?
- Do you have feedback about the financial or equity tradeoffs?
- Potential recommendations to the City Council for discussion:
  - Move forward to implementing the actions in this Plan
  - Use this analysis to inform how to implement the actions, paying attention to the tradeoffs of the actions
  - Other recommendations?

CITY OF TUALATIN
Staff Report

TO:	Honorable Mayor and Members of the City Council
THROUGH:	Sherilyn Lombos, City Manager
FROM:	Mike McCarthy, City Engineer Cody Field, Management Analyst II
DATE:	March 13th, 2023

SUBJECT:
I-205 Toll Project Environmental Assessment Overview

RECOMMENDATION:
Consider draft I-205 Toll Project Environmental Assessment comments developed by staff.

EXECUTIVE SUMMARY:
On February 21st, Oregon Department of Transportation (ODOT) published the I-205 Toll Project Environmental Assessment (EA) and notified participating agencies and the public that the 60-day comment period is open until April 21.

Per ODOT's notification, the EA contains results from "detailed analysis of the project's potential short- and long-term effects on the transportation system, local communities, the economy and the environment, along with possible solutions to address negative effects." City staff is currently reviewing the EA document and coordinating with other agencies in the region to develop a summary of key issues and draft comments.

During the March 13th Council work session, staff will provide an overview of the key areas of concern and will also present a series of draft comments for consideration.

ATTACHMENTS:

- Draft Comments - TBA
- Presentation – TBA

Eagle Scout Projects

City of Tualatin 2022-2023

Meet the Scouts

Matt Hines

Tualatin High School

Troop # 845 / # 530

Judah Kester

Tualatin High School

Troop # 230

Samuel Coleman

Mountainside High School

Troop # 870

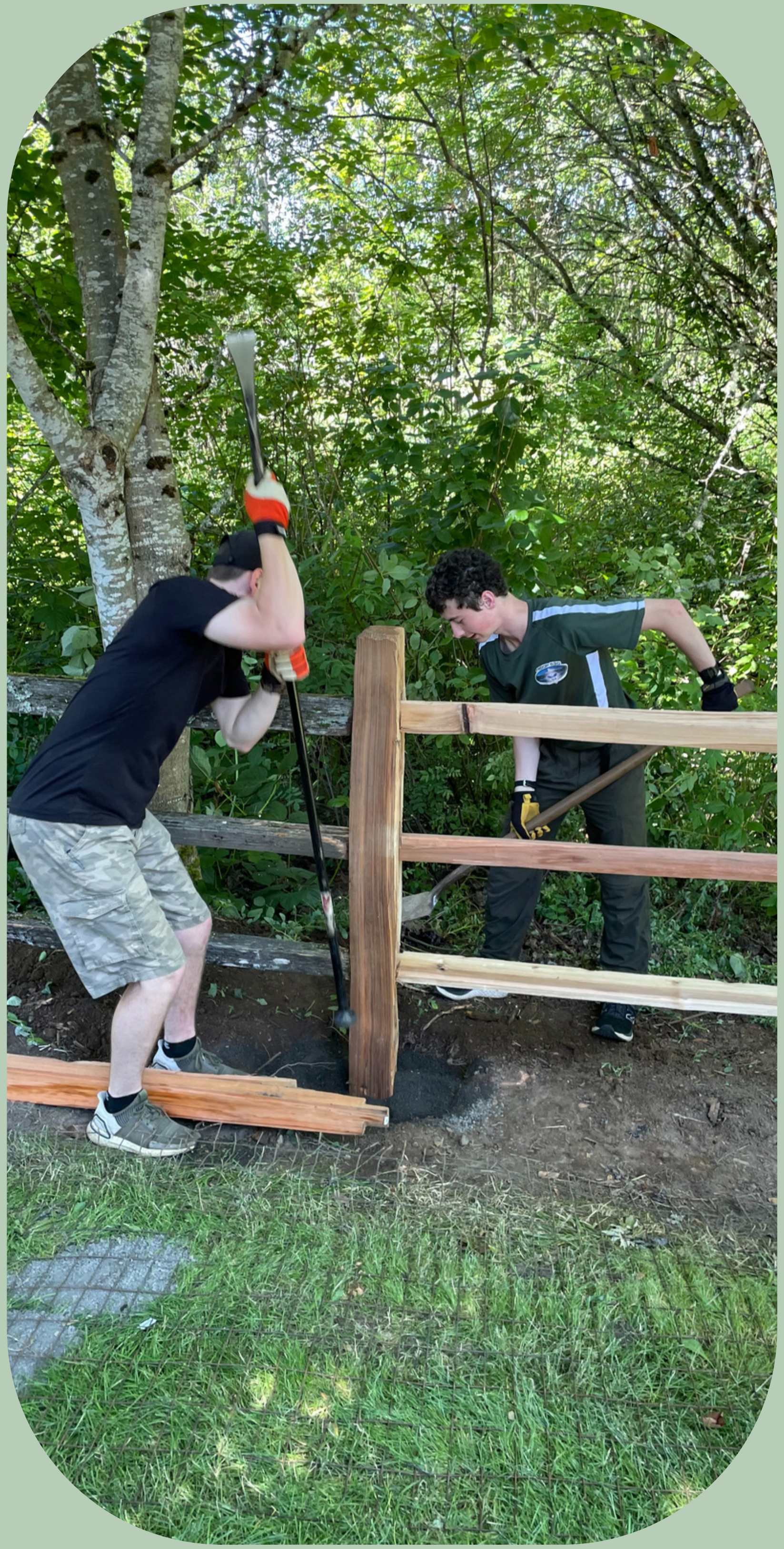
Sophia Wang

West Linn High School

Troop # 5555

Matt Hines / Jurgens Park

Volunteers; 18
Volunteer hours: 100



Split rail fence at Jurgens Park

Judah Kester / Tualatin Community Park

Volunteers: 15
Volunteer Hours: 124

Tree Planting
Sand Play Area
3 Benches

Samuel Coleman / Brown's Ferry Park

Volunteers: 18

Volunteer Hours: 84.75

Bench - Boardwalk - Trail

Sophia Wang / Jurgens Park

Volunteers: 10
Volunteer Hours: 104

5 Refurbished Benches

Thank you Scouts for your contribution to the community!

Proclamation

Declaring KIT LORELIED as Tualatin's "2022 Employee of the Year"

WHEREAS, the Employee of the Year program is designed to recognize the work and actions which bring credit to the City and improve our ability to deliver excellent service to Tualatin's customers; and

WHEREAS, Kit was hired as an On-Call Librarian I in August 2008 and transferred to an On-Call Public Services Assistant in June 2009; they were hired in a part-time status in June 2010, awarded full-time status in November 2018, and promoted to Tualatin's first STEAM Librarian II in May 2021; and

WHEREAS, in October 2022, the Library's Makerspace celebrated its first highly successful year having seen over 3,500 people come in to use the space. The success of the Makerspace is thanks in large part to Kit Lorelied who oversees everything to do with the Makerspace, including programs offered, equipment that is available, and engagement with users; and

WHEREAS, in their year as STEAM Librarian, Kit has explored and learned all manner of technology, from troubleshooting 3D printers to rethreading a sewing machine, turning a corner of the Library into an explosion of engineering, science, creativity, and straight-up fun; and

WHEREAS, Kit serves Tualatin's patrons with a smile and a confidence that speaks to their extensive skills and experience. They can help a 4-year old find dinosaur books, turn around and help a senior do genealogy research, track down a warming shelter for a houseless patron, and then pivot to recommend a slate of graphic novels to an eager teen, all with a wonderful sense of humor that endears them to co-workers and patrons alike; and

WHEREAS, Kit strives in their work to support equity, both for community members and co-workers, often advocating for others to ensure they have equitable opportunity and access. Kit looks for ways to bring learning and creative opportunities to the community through outreach beyond the Library's walls; and

WHEREAS, Kit consistently demonstrates Tualatin's core values of TEAMWORK, RESPECT, having a ONE CITY mindset, EMPOWERMENT, PROBLEM SOLVING, CUSTOMER SERVICE and being NON-BUREAUCRATIC in a multitude of ways every day.

NOW, THEREFORE, BE IT PROCLAIMED BY THE CITY COUNCIL OF THE CITY OF TUALATIN, Oregon that:

Kit Lorelied is named the "2022 City of Tualatin Employee of the Year."

INTRODUCED AND ADOPTED this 13th day of March 2023.

CITY OF TUALATIN, OREGON

BY ______________________________
Mayor

ATTEST:

BY ______________________________
City Recorder

CITY OF TUALATIN
Staff Report

TO:	Honorable Mayor and Members of the City Council
THROUGH:	Sherilyn Lombos, City Manager
FROM:	Ross Hoover, Parks and Recreation Director Kyla Cesca, Office Coordinator
DATE:	March 13, 2023

SUBJECT:
Arbor Month Proclamation

EXECUTIVE SUMMARY:
April is Arbor Month in the State of Oregon with activities, educational programs and events in conjunction with Tree City USA requirements and recognition. Tualatin Park Advisory Committee members will present the Arbor Month presentation for Council on April 10th, after the poster and photo contests conclude. Tree City USA standards include an Arbor Day or Month Proclamation.

ATTACHMENTS:

Proclamation

Proclamation

Declaring the Month of April 2023 as
Arbor Month in the City of Tualatin

WHEREAS, Arbor Day is a celebration observed throughout the nation and the world in which individuals and groups are encouraged to plant, care for, and celebrate the many values of trees, and Arbor Month is observed in the State of Oregon during the entire month of April 2023; and

WHEREAS, healthy trees reduce erosion of topsoil by wind and water, moderate the temperature, calm traffic, clean the air, produce oxygen, provide habitat for wildlife, and are a renewable resource giving us paper and countless other wood products; and

WHEREAS, trees beautify our community, increase property values, and enhance the economic vitality of business areas in Tualatin, and thousands of trees and shrubs are planted by volunteers in Tualatin's parklands every year; and

WHEREAS, 2023 marks the 36th consecutive year the City of Tualatin has been certified as a Tree City USA by the National Arbor Day Foundation for following best practices in community forestry management.

NOW, THEREFORE, BE IT PROCLAIMED BY THE CITY COUNCIL OF THE CITY OF TUALATIN, Oregon that the City of Tualatin designates the month of April 2023 as Arbor Month in the City of Tualatin.

All are urged to support efforts to protect and plant trees to gladden the hearts and promote the well being of present and future generations.

The City of Tualatin supports the Oregon Department of Forestry and the National Arbor Day Foundation in their recognition of the value of trees and forests by proclaiming April 2023 as Arbor Month in Tualatin.

INTRODUCED AND ADOPTED this 13th day of March, 2023.

CITY OF TUALATIN, OREGON

BY______________________________
Mayor

ATTEST:

BY______________________________
City Recorder

Proclamation

Declaring April 2023 as
Parkinson's Awareness Month in the City of Tualatin

WHEREAS, Parkinson's disease is a chronic, progressive, neurological disease and is the second most common neurodegenerative disease in the United States;

WHEREAS, Parkinson's disease is estimated to affect approximately one million people in the United States and the prevalence will more than double by 2040;

WHEREAS, Parkinson's disease is the 14th leading cause of death in the United States according to the Centers for Disease Control and Prevention;

WHEREAS, it is estimated that the economic burden of Parkinson's disease is at least $52 billion annually, including indirect costs to patients and family members of $29 billion;

WHEREAS, research suggests the cause of Parkinson's disease is a combination of genetic and environmental factors, but the exact cause and progression of the disease is still unknown;

WHEREAS, there is no objective test or biomarker for Parkinson's disease, and there is no cure or drug to slow or halt the progression of the disease;

WHEREAS, the symptoms of Parkinson's disease vary from person to person and can include tremors; slowness of movement and rigidity; difficulty with balance, swallowing, chewing, and speaking; cognitive impairment and dementia; mood disorders; and a variety of other non-motor symptoms;

WHEREAS, volunteers, researchers, caregivers, and medical professionals are working to improve the quality of life of persons living with Parkinson's disease and their families;

WHEREAS, increased research, education, and community support services such as those provided by the Parkinson's Foundation and other organizations are needed to find more effective treatments and to provide access to quality care to those living with the disease today;

NOW, THEREFORE, BE IT PROCLAIMED BY THE CITY COUNCIL OF THE CITY OF TUALATIN, Oregon that April 2023 is Parkinson's Awareness Month in the City of Tualatin.

INTRODUCED AND ADOPTED this 13th day of March, 2023.

CITY OF TUALATIN, OREGON

BY ______________________________
Mayor

ATTEST:

BY ______________________________
City Recorder

CITY OF TUALATIN
Staff Report

TO:	Honorable Mayor and Members of the City Council
THROUGH:	Sherilyn Lombos, City Manager
FROM:	Nicole Morris, Deputy City Recorder
DATE:	March 13, 2023

SUBJECT:
Consideration of Approval of the Work Session and Regular Meeting Minutes of February 27, 2023.

RECOMMENDATION:
Staff respectfully recommends the Council adopt the attached minutes.

ATTACHMENTS:

-City Council Work Session Meeting Minutes of February 27, 2023

-City Council Regular Meeting Minutes of February 27, 2023

OFFICIAL MINUTES OF THE TUALATIN CITY COUNCIL MEETING FOR FEBRUARY 27, 2023

Present: Mayor Frank Bubenik, Council President Valerie Pratt, Councilor Bridget Brooks, Councilor Maria Reyes, Councilor Cyndy Hillier, Councilor Christen Sacco, Councilor Octavio Gonzalez

---

Call to Order

Mayor Bubenik called the meeting to order at 7:00 p.m.

Pledge of Allegiance

Announcements

1. New Employee Introduction- Librarian Melissa Hunt

   Library Public Services Supervisor Sara Jesudason introduced Librarian Melissa Hunt. The Council welcomed her.

Public Comment

Dan Cobb asked about approved projects listed on the city's website, noting he would like to see the unapproved projects listed as well.

Tim Neary, Byrom CIO President, expressed concerns with the planning process being to prescriptive and not applying what is actually good for Tualatin. He expressed concerns with allowing low-income housing going in areas where there is no means of bus transportation. Mr. Neary stated there is a lack of good data for planning. He stated he has submitted a text amendment for consideration to the Council.

Consent Agenda

Motion to adopt the consent agenda made by Council President Pratt, Seconded by Councilor Brooks.
Voting Yea: Mayor Bubenik, Council President Pratt, Councilor Brooks, Councilor Reyes, Councilor Hillier, Councilor Sacco, Councilor Gonzalez
MOTION PASSED

1. Consideration of Approval of the Work Session and Regular Meeting Minutes of February 13, 2023

2. Consideration of Approval of Liquor License Renewals for 2023

3. Consideration of **Resolution No. 5673-23** Approving the City of Tualatin's 2023 Regional Transportation Plan Project List

4. Consideration of **Resolution No. 5674-23** Awarding the Contract for Construction of the SW Herman Road Improvements

5. Consideration of **<u>Resolution No. 5675-23</u>** Authorizing an Amendment to the Professional Services Agreement for Engineering of the Herman Road: Teton Ave. to Tualatin Rd. Project

6. Consideration of **<u>Resolution No. 5676-23</u>** Authorizing the City Manager to Execute Deed Acquiring Property for Basalt Creek Parkland

7. Consideration of Approval of Agreements Between the City of Tualatin and Community Partners for Affordable Housing and Horizon Church and Accept a Deed of Dedication for Tax Map & Lot: 32E06AD07800

Public Hearings - *Quasi-Judicial*

1. Consideration of **<u>Ordinance No. 1472-23</u>** Annexing Approximately 1.0 Acre of Land Located at 9300 SW Norwood Road, (Tax Map 2S135D000 Lot 108) into the City of Tualatin and Withdrawing the Territory from the Washington County Enhanced Sheriff Patrol District and Urban Road Maintenance District (File No. ANN 22-0003)

   Mayor Bubneik opened the hearing in accordance with the state legislative rules for annexation hearings.

   Councilor Brooks stated she regularly drives by the property.

   Assistant Community Development Director Steve Koper and Assistant Planner Madeline Nelson presented Annexation 22-0003 for 9300 SW Norwood Road. Planner Nelson stated this is a request to approve an annexation for a one acre property located at 9300 SW Norwood Road. She noted the property is designated as Medium Low-Density Resididental (RML) and future development of the property will require a separate architectural review and approval. Planner Nelson shared a zoning map. She shared the applicable criteria including it being within the Urban Growth Boundary, the owner petitioning it to be annexed, meeting Metro Code 3.09, and meeting ORS Chapter 222. Planner Nelson stated no development is planned at this time. She stated staff recommends approval of the annexation as it complies with ORS, Metro code, and the Tualatin Development Code.

   AKS Engineer Melissa Slotemaker and Applicant Lee Novack presented their application. Ms. Slotemaker stated the annexation is for a one acre lot surround by property already in the city. She stated the application does not include any site alterations or improvements, noting future development is required to obtain a separate Council approval. Ms. Slotemaker stated the annexation criteria are straightforward and meet all of the objectives.

   PUBLIC COMMENT

   Stan Russell, Pastor of Horizon Community Church, spoke in favor of the application. He stated this annexation is important to the church as there are future plans involved with the parcel that will help to continue to serve their church. Mr. Russell stated they also have a stake in affordable housing, as this will help serve families in the area.

   Scott Olson, Head of School for Horizon Community School, stated with the growth in their school system they want to ensure they have the ability to continue to manage the property to meet the needs of the families they serve. He stated it is important for them to see low-income housing come into the area.

John Pries affirmed the good work the city does specifically their commitment to growth. He spoke in favor of the application as it supports affordable housing in the city.

Charles Pitt spoke in opposition of the application. He stated he is in favor of smart developing and is concerned with the traffic issues that will come to the area if this is approved.

Joel Angee spoke in opposition of the annexation. He stated neighbors in the area trusted the city and did not object to the Autumn Sunrise and Planbeck Gardens development, which resulted in over 500 housing units and over 50% of the entire city's housing needs being met for the next 20 years. Mr. Angee stated the lack of an arborist approved plan and traffic analysis in the area for both of the developments in the area has cause mistrust with the neighbors. He stated this is extreme zoning and not in the public good.

Ed Casey, Land Use Officer for Ibach CIO, spoke in opposition of the application. He stated members are upset about the traffic this will bring to the area.

Chad Fridley spoke in opposition of the annexation and in favor of smart development. He stated there should be no rush to develop this area when there are no resources to develop the area.

Tim Neary, Byrom CIO, spoke in opposition of the application. He stated there is not an urgent need for housing as the city is already ahead of the projected needs for housing. Mr. Neary stated approval of this application applies the city is in favor of the development.

Julie Heironimus, Interim Vice President of Byrom CIO, expressed concerns with the change in zoning and the traffic issues it will bring to the area. She requested more traffic studies before further expansion.

Chris McReynolds spoke in opposition of the application. He expressed concerns with traffic in the area. Mr. McReynolds would like to see a comprehensive traffic study be completed for the area.

Carly Cais spoke in opposition of the application. She stated there is a development application that references the approval of this annexation so you can't say they are separate decisions. Ms. Cais stated it would make more sense to make this area parkland.

APPLICANT REBUTTAL

Ms. Slotemaker reminded Council that all requirements for the annexation have been met.

COUNCIL QUESTIONS

Council President Pratt asked how many units would fit on the lot. Director Koper stated it would fit ten units.

Councilor Sacco asked what happens if the annexation is not approved even when it meets the criteria. City Attorney Chad Jacobs stated it can be appealed and LUBA can overturn that decision. He stated without further facts to create findings that the application does not meet the code you can't deny the application.

Mayor Bubenik closed the hearing.

COUNCIL DELIBERATIONS

Council President Pratt stated the criteria have been met.

Councilor Sacco stated the way she votes tonight is based on the criteria.

Councilor Hillier stated her motivation for voting tonight will be based off the rules of the annexation. She hears what is being said and will consider other applications in the future.

Councilor Reyes stated her decision tonight will be based off the criteria.

Councilor Brooks stated because this is a quasi-judicial hearing they have to base their decision off the criteria. She stated it is the only decision she can consider.

Councilor Gonzalez stated he wants to hear from and talk to the constituents about this but he can't due to the nature of the decision.

Mayor Bubenik stated he has read all the emails he has received. He stated this decision is not implicit consent that the up-zoning will occur and tonight they are bound by state law for the annexation.

Attorney Jacobs reminded the public that the annexation and development are two separated decisions. He encourage the public to return to share their comments during the upcoming public hearings so they can be incorporated into that record as well.

Motion for first reading by title only made by Council President Pratt, Seconded by Councilor Hillier.
Voting Yea: Mayor Bubenik, Council President Pratt, Councilor Brooks, Councilor Reyes, Councilor Hillier, Councilor Sacco, Councilor Gonzalez

MOTION PASSED

Motion for second reading by title only made by Council President Pratt, Seconded by Councilor Sacco.
Voting Yea: Mayor Bubenik, Council President Pratt, Councilor Brooks, Councilor Reyes, Councilor Hillier, Councilor Sacco, Councilor Gonzalez

MOTION PASSED

Motion to adopt Ordinance No. 1472-23 annexing approximately 1.0 acre of land located at 9300 SW Norwood Road, (Tax Map 2S135D000 Lot 108) into the City of Tualatin and withdrawing the territory from the Washington County Enhanced Sheriff Patrol District and Urban Road Maintenance District (File No. ANN 22-0003) made by Council President Pratt, Seconded by Councilor Sacco.
Voting Yea: Mayor Bubenik, Council President Pratt, Councilor Brooks, Councilor Reyes, Councilor Hillier, Councilor Sacco, Councilor Gonzalez
MOTION PASSED

General Business

1. Consideration of Recommendations from the Council Committee on Advisory Appointments

Councilor Reyes thanked everyone who applied and interviewed for the vacancies.

Councilor Sacco read the list of recommend applicants.

Motion to adopt the recommendations made by Councilor Sacco, missed the second
Voting Yea: Mayor Bubenik, Council President Pratt, Councilor Brooks, Councilor Reyes, Councilor Hillier, Councilor Sacco, Councilor Gonzalez

MOTION PASSED

Council Communications

Councilor Sacco stated she attended the CCAA meeting.

Councilor Hillier stated she attended the Architectural Review Board meeting. She congratulated the Tualatin High School Co-Ed Cheer Team for taking the National Championship.

Councilor Reyes states she attended the CCAA meeting.

Councilor Brooks stated she met with the Climate Action Plan group, attended the Tualatin Arts Advisory Committee meeting, and the League of National Cities Woman's Caucus meeting.

Council President Pratt stated she attended the C4 meeting and the I-205 Diversion Sub-Committee meeting.

Mayor Bubenik stated he participated in the Greater Portland Inc. Best Practices Panel, attended the WEA Board meeting, the Meet the Mayors event with the Mayors Consortium, and the Regional Tolling Advisory Committee meeting.

Adjournment

Mayor Bubenik adjourned the meeting at 8:21 p.m.

Sherilyn Lombos, City Manager

____________________________ / Nicole Morris, Recording Secretary

____________________________ / Frank Bubenik, Mayor

OFFICIAL MINUTES OF THE TUALATIN CITY COUNCIL WORK SESSION MEETING FOR FEBRUARY 27, 2023

Present: Mayor Frank Bubenik, Council President Valerie Pratt, Councilor Bridget Brooks, Councilor Maria Reyes, Councilor Cyndy Hillier, Councilor Christen Sacco, Councilor Octavio Gonzalez

---

Work Session

Mayor Bubenik called the meeting to order at 5:00 p.m.

1. Council Training Series: Public Meetings and Conflict.

City Attorney Chad Jacobs presented a training on public meetings and conflicts. He covered topics on authority, public meetings, land use hearings, and public records. Attorney Jacobs stated the Councils authority states they may only act as a body and are expected to abide by council decisions. He stated personal opinions and comments should be expressed only if a member makes it clears that is their own opinion. Attorney Jacobs covered public meetings and what state law addresses including what is a meeting and quorum. He covered information on executive sessions and what topics can be covered. Attorney Jacobs addressed quorums of a governing body in social settings.

Council President Pratt asked about speaking as an individual and addressing your title. Attorney Jacobs stated you can speak as an individual but you need to be clear that the opinions that you are expressing are your own.

City Attorney Jacobs covered the two types of land use hearings: legislative and quasi-judicial. He defined the hearing types, procedures, ex-parte communications, bias, conflicts of interest, and control of public meetings.

Council President Pratt asked what to do with emails all of the Council receives from applicants. Attorney Jacobs stated to forward it to staff so they can include it in the record.

Councilor Gonzalez asked how he could meet with people during these processes. Attorney Jacobs said you can meet with them but you have to disclose what is discussed as ex parte communications. He stated these types of communications could get difficult to communicate so he would encourage council to avoid these contacts outside of the hearing.

Councilor Hillier asked if the public could challenge communications. Attorney Jacobs stated the public does have an opportunity to challenge the impartiality of a councilor.

City Attorney Jacobs spoke to public records and what they are, how to maintain them, and destruction.

2. Update on the Basalt Creek Employment (BCE) Zone Project: PTA 22-0001/PMA 22-0001.

Assistant Community Development Director Steve Koper, Senior Planner Erin Engman and HHPR Consultants Chris Green and Brad Kilby presented the Basalt Creek Employment (BCE) zone code project. Consultant Green presented the project scope including a code audit of the existing manufacturing park (MP) zone, an economic analysis, a transportation planning rule analysis, and draft code amendments. He shared the project area and existing conditions. Consultant Green stated the MP zone code audit showed the area was originally intended for large-scale manufacturing, research facilities, and limited light-industrial uses. Planner Engman stated previous plans including the Basalt Creek Concept Plan, the economic opportunities analysis, and the SW and Basalt Creek Urban Renewal Area informed and inspired the project aspirations, which included encouraging high employment density, strengthening local tax base, and minimizing conflicts between uses. She stated previous Council direction on the project included limited warehouse uses, encouraged flex spaces, incorporation of commercial uses, and maintaining green spaces. Planner Engman stated there has been extensive public outreach throughout the project including public open houses, stakeholder discussions, community discussions, and attendance at planning commission meetings. She stated public feedback has included general concerns around traffic, noise, and pollution. Planner Engman stated stakeholder feedback included a desire for flexible tenant space, development driven by tenants, and spaces that incorporate warehousing/wholesale components to support the operations. She stated they shared that the original draft code was too aspirational and did not provide sufficient flexibility for market demands. Planner Engman stated in response staff prepared several code scenarios for consideration and review by the Planning Commission that balanced the previously expressed aspirations for the area and current market trends.

Consultant Green shared the economic analysis summary that showed a demand for industrial space with a land supply that is critically constrained in the region. He stated users are looking for multi-tenant spaces that can be developed for smaller uses. Consultant Green stated recommendations from the analysis include expansions of industrial uses, flexible development standards, and restriction to control future uses/tenants. Consultant Green shared the traffic analysis summary stating proposed BCE text amendments include an expansion of commercial uses, noting it estimates that there will be a decrease in trip generation.

Director Koper shared the impacts of this on the urban renewal areas. He stated the SW and Basalt Creek Development Area was adopted in 2021 to generate tax increment financing for capital infrastructure in the area. Director Koper stated the Planning Commissions direction was to allow all manufacturing uses, develop some design standards to create a pleasant street-facing environment, protect and buffer the interface with yet-to-be-developed residential zoning, and comply with Chapter 63 standards. He stated the commission supported stakeholder scenario c that caps maximum building sizes of 150,000 square feet to limit large-format warehousing uses, with 70% of building square footage on a site is permitted to be a flexible combination of warehousing, and requested all uses be enclosed except for parking and loading areas. Director Koper stated the Planning Commission is requesting council feedback on their findings as they may be interpreted as different from Council’s previous guidance. Planner Engman stated next steps include final recommendations from the Planning Commission and a legislative hearing of the proposed text and map amendments in May or June.

Council President Pratt asked for an example of a building that would be 150,000 square feet. Consultant Kilby stated it could be a large format grocery store.

Council President Pratt asked if a site has multiple buildings could the whole area be warehousing. Director Koper stated the space would work for a small warehouse but not major distribution.

Council President Pratt asked what the decrease in trip generation would be in comparison to. Director Koper stated it would be in comparison to what it is now. He noted warehousing trip generation has a lower rate than manufacturing.

Council President Pratt wants to make sure this area can support livable and high wage jobs. She asked if this type of zoning would help reach that goal and provide those types of jobs. Director Koper stated it is hard to make certain uses happen, so it is hard to determine that.

Council President Pratt expressed concerns with making sure they are protecting the residential areas and keeping them livable. Director Koper stated the proposed languages makes it so all activities have to be conducted indoor, add some additional buffering requirements, and limits building height.

Councilor Hillier asked for more information on the number of marijuana dispensaries that would be allowed. Planner Engman stated this area is excluded based off the buffering requirements.

Councilor Brooks asked why these changes are being made. Director Koper stated the existing zone was limiting in its uses and the urban renewal zone sought a high quality robust area that the current code could not facilitate.

Councilor Brooks wants to be sure this area can accommodate good paying jobs, not create additional traffic, and maintain the parks in the area.

Council President Pratt asked if food carts would be allowed in the area. Director Koper stated a food cart pod would be a permitted use in the zone.

Mayor Bubenik asked if spec buildings are the way of the future instead of campus style industrial buildings. Director Koper stated those campus style buildings are not what people are seeking any longer. He noted without these being shovel ready sites it is hard for them to be competitive at this time.

Mayor Bubenik asked if these will be job dense worksites as this was one of the aspirations for the area from Metro. Director Koper stated the area is proposed to be more job dense than it was in different formats and is more functional to help businesses thrive.

Mayor Bubenik asked how the trip counts go down. Director Koper stated warehousing distribution has a lower trip count and creates a different balance and net reduction.

Mayor Bubenik asked who would put in the roadways and maintain them. Director Koper stated the city has met with Wilsonville, Sherwood, and Washington County to discuss the roadway improvements. He stated new development would have to build its frontage connections and build additional infrastructure, as well as the tax increment financing will fund additional road improvements. He stated Washington County has expressed interest in the city taking jurisdiction of Graham's Ferry Road where an improvement district could be formed.

Councilor Brooks stated she is cautious about moving forward with the zoning due to transportation and employment mixes proposed in the area.

Councilor Sacco stated she is hesitant but noted the Planning Commission has done great outreach so she feels good about their recommendations.

Councilor Reyes asked for examples of different types of businesses in the zone. Director Koper shared examples stating the most likely outcome for the area would be like the Commerce Center in Wilsonville.

Councilor Gonzalez stated small business are able to flourish in this type of development with flex spaces and mixed uses.

Council consensus was reached to give the Planning Commission feedback that they support a mix of 30% manufacturing and 70% warehousing or wholesale.

Adjournment

Mayor Bubenik adjourned the meeting at 6:54 p.m.

Sherilyn Lombos, City Manager

______________________________ / Nicole Morris, Recording Secretary

______________________________ / Frank Bubenik, Mayor

CITY OF TUALATIN
Staff Report

TO:	Honorable Mayor and Members of the City Council
THROUGH:	Sherilyn Lombos, City Manager
FROM:	Mike McCarthy, City Engineer
DATE:	March 13, 2023

SUBJECT:
Consideration of **Resolution 5677-23** authorizing amendment to a services agreement with Consor, Inc. (formerly Murraysmith) for the Tualatin Moving Forward bond program and authorizing the City Manager to execute the amendment.

RECOMMENDATION:
Staff recommends that Council approve the resolution to allow the City Manager to execute a contract amendment with Consor, Inc. (formerly Murraysmith) to continue delivering services for the Tualatin Moving Forward Transportation Bond Program.

EXECUTIVE SUMMARY:
In May 2018, Tualatin voters approved the bond-financed Tualatin Moving Forward transportation improvement program to deliver approximately $20 million in transportation improvements that address congestion relief, neighborhood safety, and safe access to schools in five years. This Master Services Agreement was awarded in December 2018 to include the engineering services that would likely be needed to deliver the program.

This agreement was amended in 2021 and 2022 to provide additional funds for a second phase of projects. Twenty-six projects have been completed, and ten more are underway in the construction or detailed engineering stages.

Due to bond buyers identifying the City as an ‘attractive risk’ and interest received on invested funds, $24 million is now available for projects. As some of these projects will also use Transportation Development Tax (TDT) and other funding, the total amount of projects is now about $29 million. This amendment covers the fourth phase of the Tualatin Moving Forward program including:

- Public involvement to listen to the people to hear what issues they want us to address and how we can best address them.
- Conceptual design work to consider what we hear from the people and develop practical project solutions that spend their money wisely, such as finding smaller neighborhood safety projects that address community needs at relatively low construction costs.
- Detailed engineering of projects to figure out context-sensitive designs to meet the people’s needs while fitting within the surroundings and minimizing construction costs and impacts.

- Coordination with other agencies through their review processes in order to deliver projects on their roads to address issues affecting our community.
- Construction management and inspection to ensure projects get built properly while maintaining public safety and access.
- Public communication throughout each project – to hear people's perspective on how we can optimize project design and to keep people informed and work together to minimize impacts on them through construction.

FINANCIAL IMPLICATIONS:
Funds for this contract in the amount of $1,700,000 are available in the Transportation Project Fund (Tualatin Moving Forward Bond).

ATTACHMENTS:

- Resolution 5677-23

RESOLUTION NO. 5677-23

A RESOLUTION AUTHORIZING AMENDMENT TO A SERVICES AGREEMENT WITH CONSOR, INC FOR THE TUALATIN MOVING FORWARD BOND PROGRAM AND AUTHORIZING THE CITY MANAGER TO EXECUTE THE AMENDMENT

WHEREAS, the City Council awarded a contract to Consor Inc. (formerly Murraysmith) to provide program delivery services for the Tualatin Moving Forward Bond Program after a competitive process in 2018; and

WHEREAS, This contract was amended in 2021 and 2022 to provide funding for the second and third phase of projects; and

WHEREAS, public involvement, conceptual design, engineering, and construction management have been completed for many projects under this agreement; and

WHEREAS, the level of work necessary to deliver the remaining projects has been identified; and

WHEREAS, funds are available for this program in the Transportation Project Fund;

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TUALATIN, OREGON, that:

Section 1. The City Manager is authorized to amend the contract with Murraysmith, Inc. for Program Delivery Services for the Tualatin Moving Forward Bond Program in the amount of $1,700,000.

Section 2. The City Manager, or the City Manager's designee, is authorized to execute Change Orders totaling up to 10% of the original contract amount.

Section 3. This resolution is effective upon adoption.

Adopted by the City Council this 13th day of March, 2023.

CITY OF TUALATIN, OREGON

BY ________________________
Mayor

ATTEST:

BY ________________________
City Recorder

CITY OF TUALATIN
Staff Report

TO:	Honorable Mayor and Members of the City Council
THROUGH:	Sherilyn Lombos, City Manager
FROM:	Don Hudson, Assistant City Manager/Finance Director
DATE:	March 13, 2023

SUBJECT:
Resolution No 5678-23, A Resolution to Exempt Specific Affordable Housing Developments From Property Taxes

RECOMMENDATION:
Staff recommends the City Council approve the attached resolution.

EXECUTIVE SUMMARY:
In April 2022, the City Council adopted an ordinance creating Tualatin Municipal Code (TMC) 14-01, Nonprofit Corporation Low-Income Housing Tax Exemptions. TMC 14-01-020 lays out the criteria that a nonprofit corporation providing low-income housing needs to meet to be eligible for a property tax exemption. Criteria includes that the property be owned by a corporation described in Section 501(c)(3) or (4) of the Internal Revenue Code that is exempt from income taxation under Section 501(a) of the Internal Revenue Code; the property is occupied by low-income persons, or held for the purpose of future development as low-income housing; and the exemption is approved by the City Council.

Community Partners for Affordable Housing (CPAH) has submitted an application for exemption of property taxes for the Plambeck Gardens development at 23655 SW Plambeck Terrace in Tualatin (Property Account ID R1136023, Tax Lot 2S135D000303). The site is owned by CPAH and will be developed for use as affordable housing units. The application, which is attached to this staff report, has been reviewed by staff and it has been deemed to be in compliance with TMC 14-01.

OUTCOMES OF DECISION:
If approved by the City Council, the City of Tualatin property taxes will be abated on this property.

FINANCIAL IMPLICATIONS:
The impact on Tax Year 2023-2024 is estimated to be about $1,700 and will increase to approximately $10,000 (depending on values determined when developed) upon completion of the project.

ATTACHMENTS:

- Application for Property Tax Exemption for Low-Income Housing Held by Charitable, Nonprofit Organizations

- Resolution No. 5678-23

RESOLUTION NO. 5678-23

A RESOLUTION TO EXEMPT SPECIFIC AFFORDABLE HOUSING DEVELOPMENTS FROM PROPERTY TAXES

WHEREAS, Tualatin Municipal Code (TMC) section 14-01 provides for application and consideration of non-profit corporation low-income housing project exemptions from property taxes; and

WHEREAS, the TMC requires applications for exemption be filed with the City by March 1; and

WHEREAS, on February 16, 2023, Community Partners for Affordable Housing, a qualified non-profit corporation, filed an application for property tax exemption for a new low-income housing project, and under TMC 14-01 meets all the applicable criteria for exemption; and

WHEREAS, upon review of the application, it was found that granting the exemption would be consistent with the applicable Tualatin Municipal Code and other adopted City policies;

NOW THEREFORE, BE IT RESOLVED BY THE CITY OF TUALATIN, that:

Section 1. The applicant, Community Partners for Affordable Housing, qualified for the exemption set forth in Tualatin Municipal Code section 14-01

Section 2. The Assistant City Manager/Finance Director, or designee, is directed to certify to the Assessor of Washington County that the City of Tualatin agrees to the abatement of property taxes for the Plambeck Gardens development, 23655 SW Plambeck Terrace, Tualatin, OR 97062 (Property Account ID R1136023, Tax Lot 2S135D000303)

Section 2. This resolution is effective upon adoption.

ADOPTED by the City Council this 13th day of March, 2023.

CITY OF TUALATIN, OREGON

BY _________________________

Mayor

ATTEST:

BY _________________________

City Recorder

APPROVED AS TO FORM

BY _________________________

City Attorney

Application

Property Tax Exemption for Low-Income Housing Held By Charitable, Nonprofit Organizations

(Implementing Provisions of ORS 307.540 - 548)

(For Office Use Only)

Don Hudson, **City of Tualatin, Oregon** **Date Received** 2/16/23 By Emme

Contents

Section A – General Information

Please check one:

☑ Original Application
☐ Renewal Application

Corporate Name: Community Partners for Affordable Housing

Address: 6380 SW Capitol Hwy Ste #151
Portland, OR 97239-2199

Telephone Number: 503-293-4038 (Business) / ________ (Alternate Phone)

Email Address: nthornton@cpahoregon.org

Chief Executive Officer: Rachael Duke

Contact Person: Natalie Thornton

Section B - Property to be Considered for Exemption

(Sections B, C, and D must be filled out for each property for which you are requesting a tax exemption)

Owner of record: Community Partners for Affordable Housing

Property Address: 23655 SW Plambeck Ter. Tualatin, OR 97062
(Physical address of the property for which you are seeking an exemption)

Property Tax Account Number(s): R1136023

Tax Lot Account Number(s): 2S135D000303

(Be sure to identify *all* account numbers for both land and improvements on the property for which you are requesting tax exemption. In some cases, land and improvements may have separate account numbers. The Property Tax Account Number(s) and the Tax lot Account Number(s) should be on your property tax statements.)

Total Number of Residential Units in Building(s): 2

Number of Residential Units Occupied by Low-income People: 2

Total Square Feet in Building(s): 1438

Total Square Feet of Residential and Residential Common Area:[4] 1438

Date When Exemption was First Granted for this Property: N/A
(For renewal applications only)

4 This includes halls, baths, dining, and other space dedicated to residential use. Retail uses and other accessory uses not related to residential use are not to be counted.

Section C - Eligible Property

Do you own the property in question? Yes X___ No ____

If you do not own the property, do you have leasehold interest in the property?

Yes _____ No _____

If you have an ownership interest in the property, but your organization is not the record owner, describe your interest in the property. NOTE: Your nonprofit organization *must* be responsible for day-to-day operations in order to be eligible for exemption under this program. *Include that information in your description.*

N/A

If you have a leasehold interest, describe your interest and include a statement describing how, as the nonprofit organization, you are obligated under the terms of the lease to pay the ad valorem taxes on this property or other contractual arrangement such that the property tax exemption benefits accrue to the nonprofit agency and the residential tenants rather than the owner or corporation from whom you lease.

N/A

If the property is being held for future low-income housing development, describe the future development (number of units, units broken out by number of bedrooms, amenities available, etc.) and the income level(s) that will be served by the future development.

The development will have approximately 116 units between 30% AMI and 60% AMI. There will be 54 1 bedroom units, 40 2 bedroom units, 16 3 bedroom units, and 6 4 bedroom units. There will be 47 30% units, 11 40% units, 18 50% units, and 40 60% units. Amenities will include a clubhouse with spaces for resident services and youth services, a community garden, and a play area.

Section D - Description of Charitable Purpose/Project Benefit

(Use for multiple projects if same conditions apply)

Briefly describe your organization's charitable purpose:

To provide low income housing and social services to residents of low-income housing

Is the property being held for the purpose of developing low-income housing?

Yes X___ No ____

The holding period may not exceed three years. When did the period begin? N/A

Is all or a portion of the property is being used for the charitable purpose?

All X___ Portion ____

If a portion, approximately what percentage of the property? ________

Will the cost savings resulting from the proposed tax exemption enable you to do the following?

a. Reduce the rents that your low-income residential tenants pay on the property in question?

   Yes ____ No X___

   If so, by approximately how much? ________

b. Provide greater services to your low-income residential tenants?

   Yes X___ No ____

   If yes, in what way(s)?

   Cost savings will allow for CPAH to pay salary and overhead for service providers

c. Provide any other benefit to your low-income residential tenants?

   Yes X___ No ____

   If yes, please explain.

   Cost savings will allow for CPAH to invest into the ongoing upkeep of the property

If you lease the property identified in this application, please explain to what extent your lease agreement coincides with the timeframe of the qualifying tax year:

N/A

Section E – Declarations

(Please read carefully and sign below before a notary)

1. I have attached to this application the IRS declaration of the status of applicant as a tax-exempt corporation under 26 U.S.C. Section 501 (c)(3) or (4).

2. I am aware that the income-qualifying tenants must meet the income guidelines in accordance with 42 U.S.C. Section 1437 (a)(b)(2) as amended. (See Attachment A, Income Eligibility Schedule.) Tenant incomes do not exceed these limitations as I verily believe.

3. I am aware of all requirements for tax exemption imposed by ORS 307.540 - 307.548 (Chapter 660 Oregon Laws 1985, as amended by Chapter 756 Oregon Laws 1987) and modified by Tualatin Municipal Code (TMC) Chapter 14-01.

4. To the best of my knowledge, the above-described property or properties, qualify, or if vacant or under construction, will qualify for property tax exemption once occupancy is established.

5. I have read and understood the criteria provided in TMC 14-1-020, and I certify that the corporation meets that criterion.

6. All the information in this application is true to the best of my belief and knowledge and is for the purpose of determining eligibility for the tax exemption program authorized by ORS 307.540 - 307.548 and administered through Tualatin Municipal Code Chapter 14-01.

By: Rachael Duke
Agency Chief Executive Officer (Signature)

Rachael Duke
Agency Chief Executive Officer (Print or Type)

For: Community Partners for Affordable Housing
Corporate Name (Print or Type)

SUBSCRIBED AND SWORN to before me this 16 day of February, ____.

Notary Public for Oregon (Signature)

OFFICIAL STAMP
NATALIE THORNTON
NOTARY PUBLIC - OREGON
COMMISSION NO. 1031664
MY COMMISSION EXPIRES DECEMBER 12, 2026

Natalie Thornton
Notary Public for Oregon (Print or Type Name)

My Commission Expires 2/16/23

INTERNAL REVENUE SERVICE
DISTRICT DIRECTOR
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date:

MAR 11 [illegible]

COMMUNITY PARTNERS FOR AFFORDABLE HOUSING
PO BOX 23206
TIGARD, OR 97281-3206

Employer Identification Number:
[redacted]
DLN:
17053030720009
Contact Person:
THOMAS E O'BRIEN ID# 31187
Contact Telephone Number:
(877) 829-5500
Our Letter Dated:
February 1995
Addendum Applies:
No

Dear Applicant:

This modifies our letter of the above date in which we stated that you would be treated as an organization that is not a private foundation until the expiration of your advance ruling period.

Your exempt status under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3) is still in effect. Based on the information you submitted, we have determined that you are not a private foundation within the meaning of section 509(a) of the Code because you are an organization of the type described in section 509(a)(1) and 170(b)(1)(A)(vi).

Grantors and contributors may rely on this determination unless the Internal Revenue Service publishes notice to the contrary. However, if you lose your section 509(a)(1) status, a grantor or contributor may not rely on this determination if he or she was in part responsible for, or was aware of, the act or failure to act, or the substantial or material change on the part of the organization that resulted in your loss of such status, or if he or she acquired knowledge that the Internal Revenue Service had given notice that you would no longer be classified as a section 509(a)(1) organization.

If we have indicated in the heading of this letter that an addendum applies, the addendum enclosed is an integral part of this letter.

Because this letter could help resolve any questions about your private foundation status, please keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

C. Ashley Bullard

District Director

Letter 1050 (DO/CG)

CITY OF TUALATIN
Staff Report

TO:	Honorable Mayor and Members of the City Council
THROUGH:	Sherilyn Lombos, City Manager
FROM:	Ross Hoover, Parks and Recreation Director Kyla Cesca, Office Coordinator
DATE:	March 13, 2023

SUBJECT:
Tualatin Park Advisory Committee Annual Report

EXECUTIVE SUMMARY:
Tualatin Park Advisory Committee members will present the 2022 Annual Report.

ATTACHMENTS:

Presentation

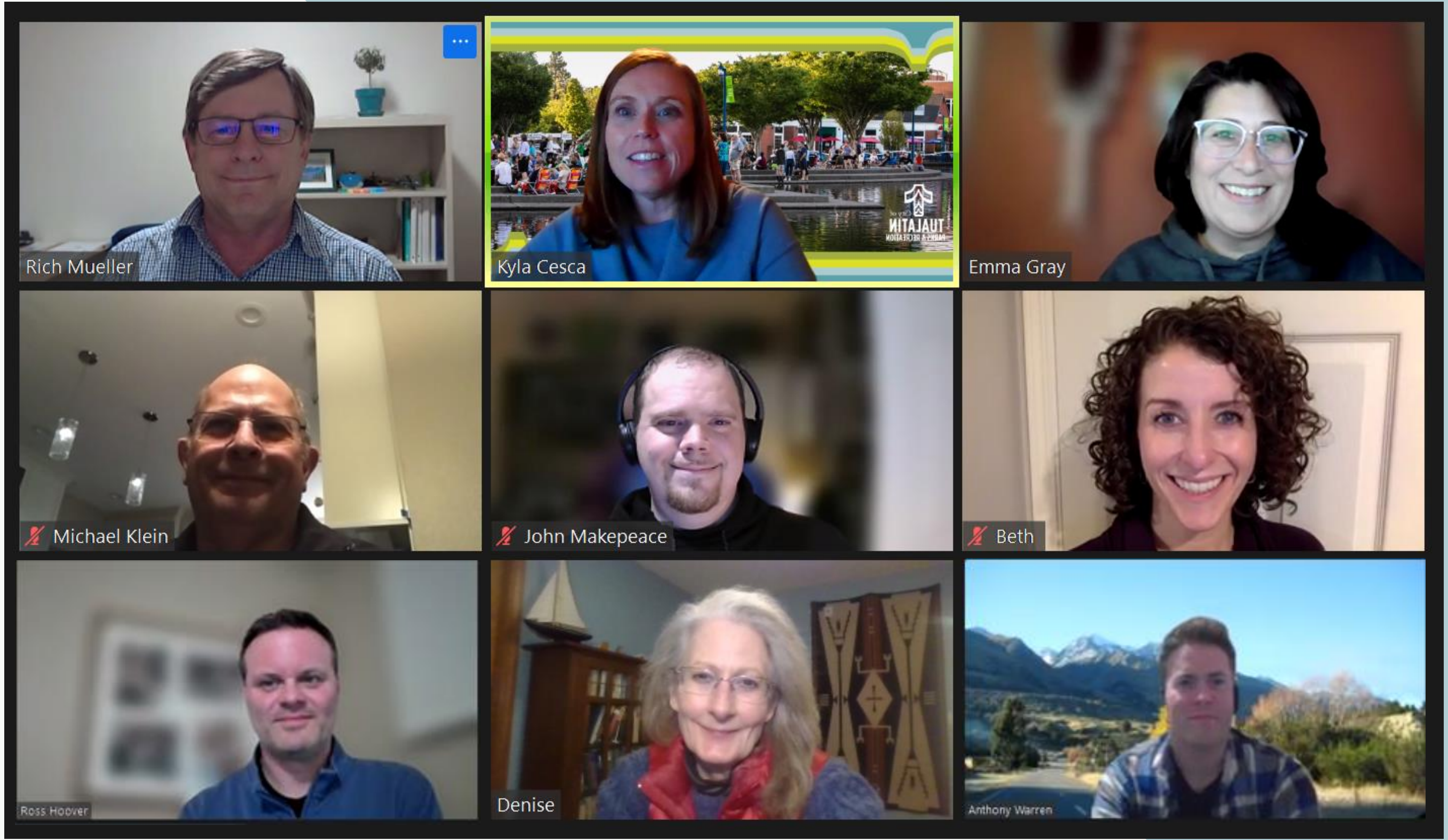
City of
TUALATIN
PARKS & RECREATION

Tualatin Park Advisory Committee

2022 Annual Report

THIS IS US

"We are a group of enthusiastic advocates for the Parks & Recreation system with a focus on the stewardship and enhancement of our community."



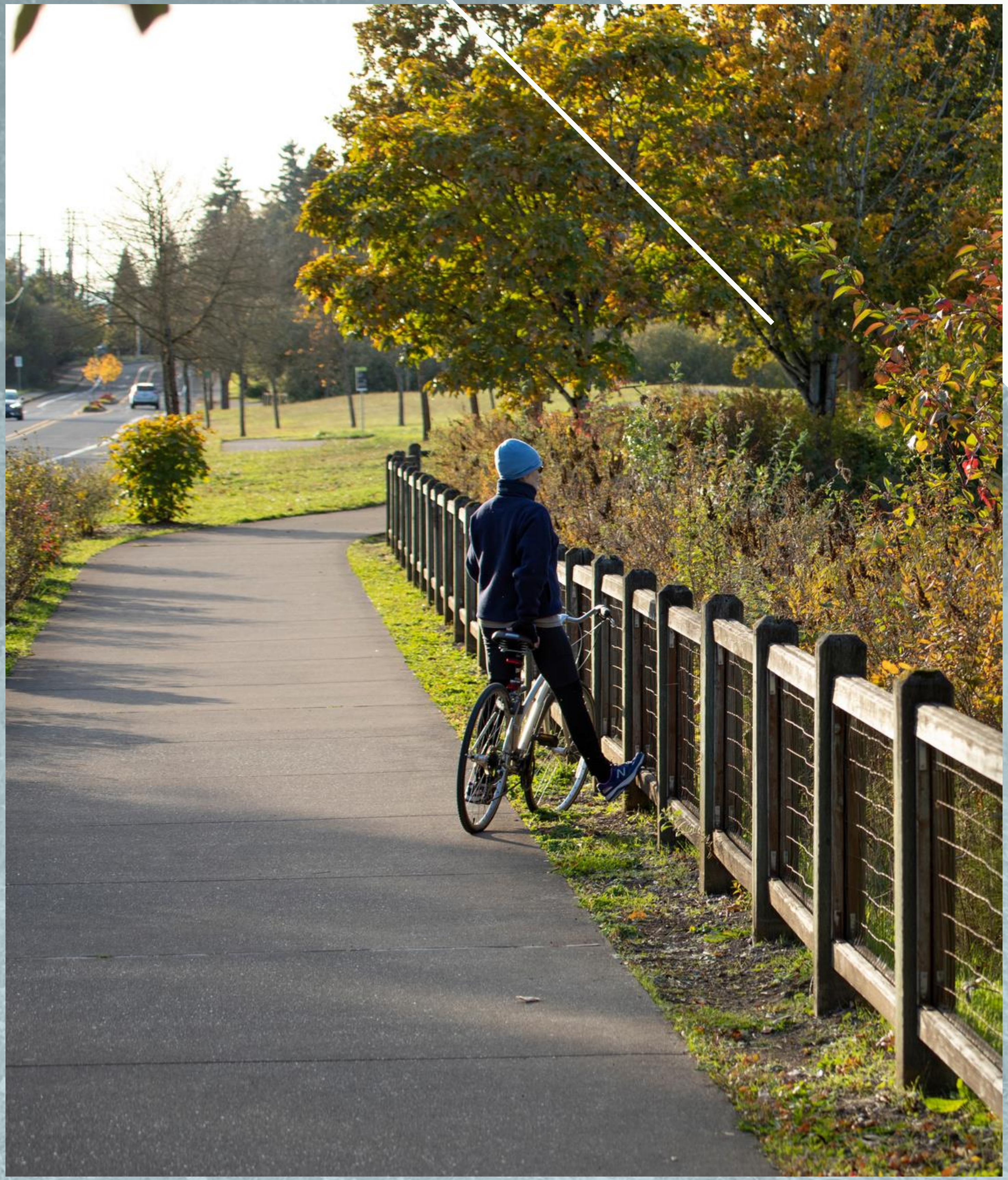
19 Meetings Attended

11 Events Attended

327 Hours Volunteered

CURRENT MEMBERS

- Emma Gray, Chair
- Beth Dittman, Vice-Chair
- Denise Cline
- Michael Klein
- John Makepeace
- Claire Roach
- Anthony Warren



WHAT WE DO

- Regular Meetings
  - Learn about Parks & Recreation activities
  - Evaluate and provide recommendations to city staff regarding the efficacy of policies, programs, and procedures
- Represent Parks & Recreation System to Council
- Attend Activities & Events
  - Advocate for community participation and engagement in our Parks & Recreation system
  - Provide community outreach
- Bee City Facilitation Committee
- Tree City USA Board

2022 ACCOMPLISHMENTS

- Recommended Parks Bond package to Council
- Advocated for Parks Bond passed by Tualatin voters in November 2022
- Recommended site plan for Veteran's Plaza based on community members input
- Reviewed land acquisitions for future Basalt Creek Park
- Recommended re-evaluation of current park naming policies
- Participated in community engagement and outreach for the return of in-person community events such as Viva Tualatin and the West Coast Pumpkin Regatta
- Utilized Park Utility Fee Usage Matrix to identify projects to be completed using park utility fee
- Tree City USA & Bee City USA Committee Arbor Week & Pollinator Week Presentations
- Supported community outreach for Highway 99 Trail improvement project

OUR 2023 GOALS

Parks Bond

- Actively pursue implementation of parks bond projects
- Advocate for consistent and intentional communication to the community regarding parks-bond funded projects

Diversity, Equity, and Inclusion

- Strengthen diverse committee membership
    - Audit membership as it relates to how we represent our city's demographics
    - Outreach to vocal advocates from Stoneridge visioning work
    - Connect with Equity Committee Planning Group re: their recommendations to council
- Evaluate current park naming policies for possible updates and recommendations
- Advocate for once-per-quarter in-person meetings

OUR 2023 GOALS

(continued)

Sustainability & Climate Action

- Evaluate existing tree code for possible climate resiliency updates and recommendations
- Promote pollinator information and resources
- Provide community resources for trees and bees
- Explore potential for an integrated pest management program

Collaboration

- Continue to host joint meetings with arts advisory committee
- Invite other advisory committees to share meetings
- Explore places where Parks & Recreation goals intersect with other city advisory committee goals

QUESTIONS & COMMENTS

CITY OF TUALATIN
Staff Report

TO:	Honorable Mayor and Members of the City Council
THROUGH:	Sherilyn Lombos, City Manager
FROM:	Mike McCarthy, City Engineer
DATE:	March 13, 2023

SUBJECT:
Tualatin Moving Forward Quarterly Update

EXECUTIVE SUMMARY:
This update describes Tualatin Moving Forward projects currently under construction or planned to start construction in the Spring and Summer of 2023.

In May 2018, Tualatin voters approved a $20 million bond measure to pay for projects that improve traffic flow, neighborhood safety, and provide safe access to schools and parks citywide. The Tualatin Moving Forward Program Team provides the City Council with quarterly updates on these projects.

ATTACHMENTS:

- Powerpoint Presentation
-

Tualatin
MOVING FORWARD

Quarterly Update

City Council
March 13, 2023

Tualatin MOVING FORWARD

Quarterly Update

City of Tualatin

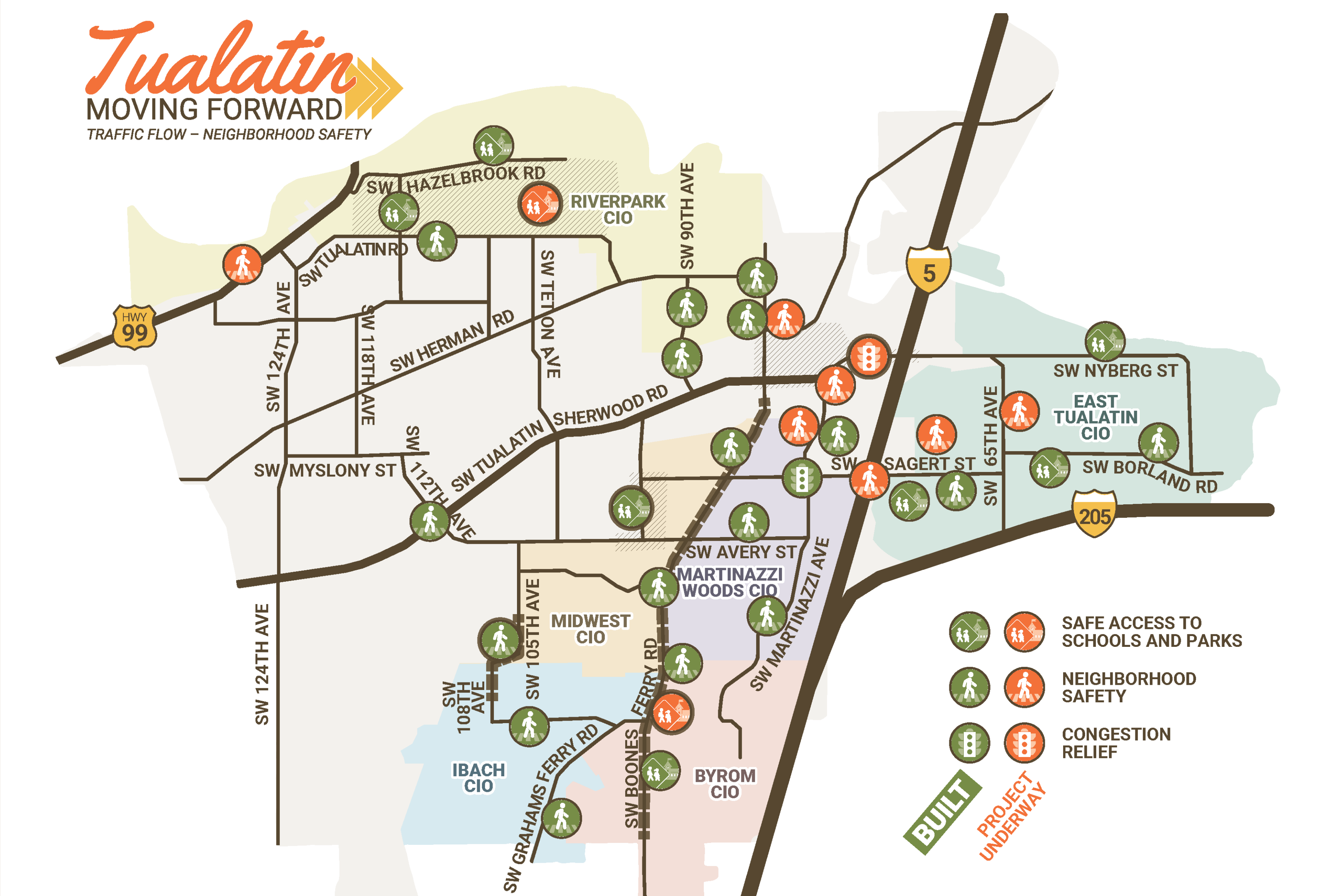
- Tonight's theme: *"Our Busiest Year for Construction"*
- Update on key projects
- Next Quarterly Update: June
- Monitor progress at TualatinMovingForward.com

Tualatin MOVING FORWARD

2023 – Our Busiest Year for Construction!

City of Tualatin

25 projects *Built* – 11 more *Underway*!



Tualatin MOVING FORWARD

Remaining Projects

City of Tualatin

65th Ave near Meridian Park Hospital

67th/68th Ave loop at Stoneridge Park

Boones Ferry Corridor Sidewalk and Bike Lane Project

Boones Ferry Rd at The Commons Phase 2

Hazelbrook Area

Hwy 99W: Pony Ridge Neighborhood to 124th Ave

Martinazzi Ave at Fred Meyer Driveway

Martinazzi Ave at Mohawk St

Sagert St. Bridge/I-5 Walkway

Stormwater Mitigation (Martinazzi Ave and Sagert St)

Tualatin-Sherwood Rd: Martinazzi Ave to I-5

Tualatin MOVING FORWARD

Tualatin-Sherwood Rd/Nyberg St Intersection with I-5

City of Tualatin

We're Fixing This!

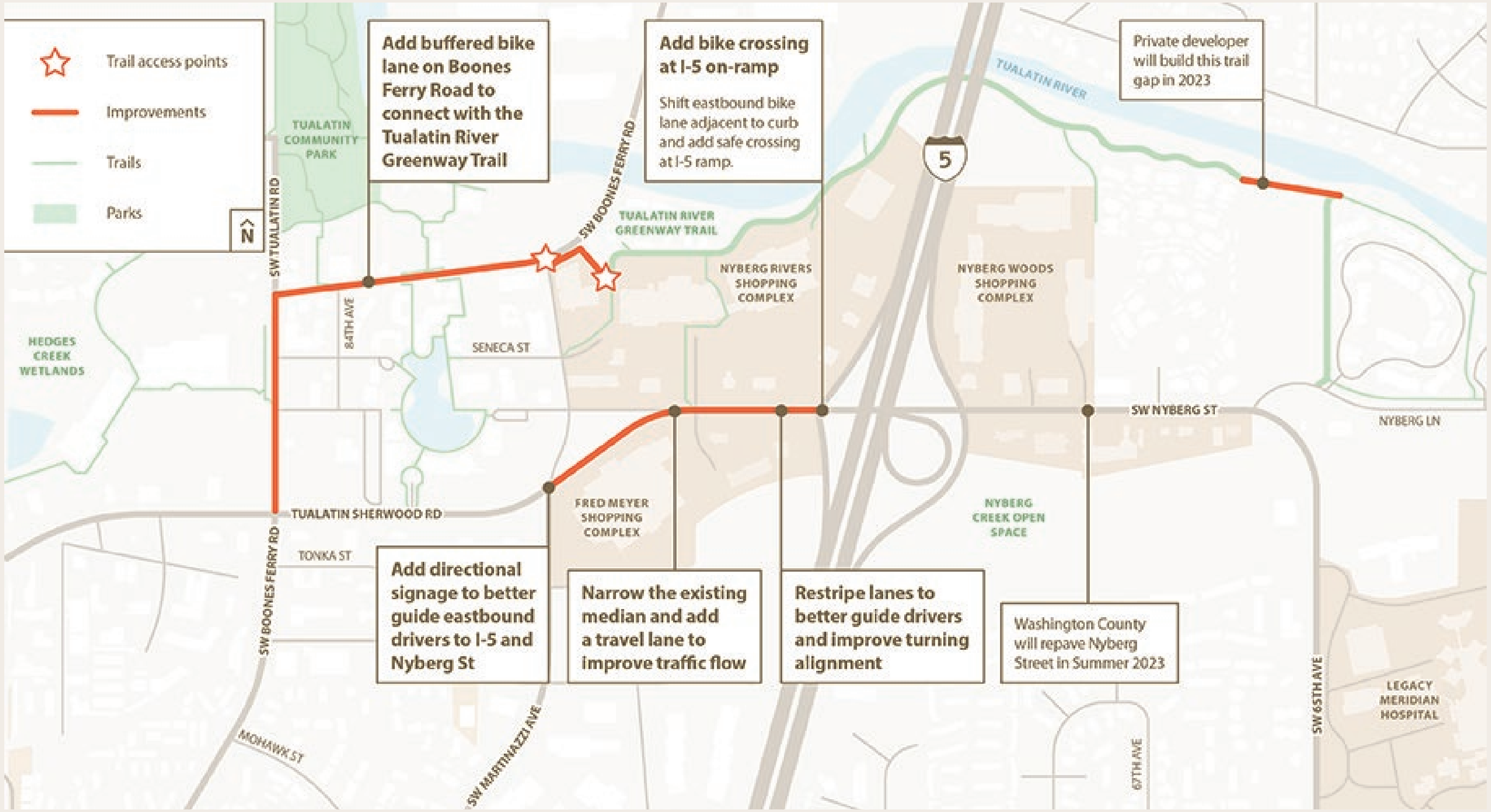
Tualatin-Sherwood Rd/Nyberg St Intersection with I-5

- ✓ Improves safety and predictability of travel along Tualatin-Sherwood Rd/ Nyberg St between Martinazzi Ave and I-5
- ✓ Improves safety for people to walk and bike.

Tualatin-Sherwood Rd/Nyberg St Intersection with I-5

A series of strategic changes will make it operate better.

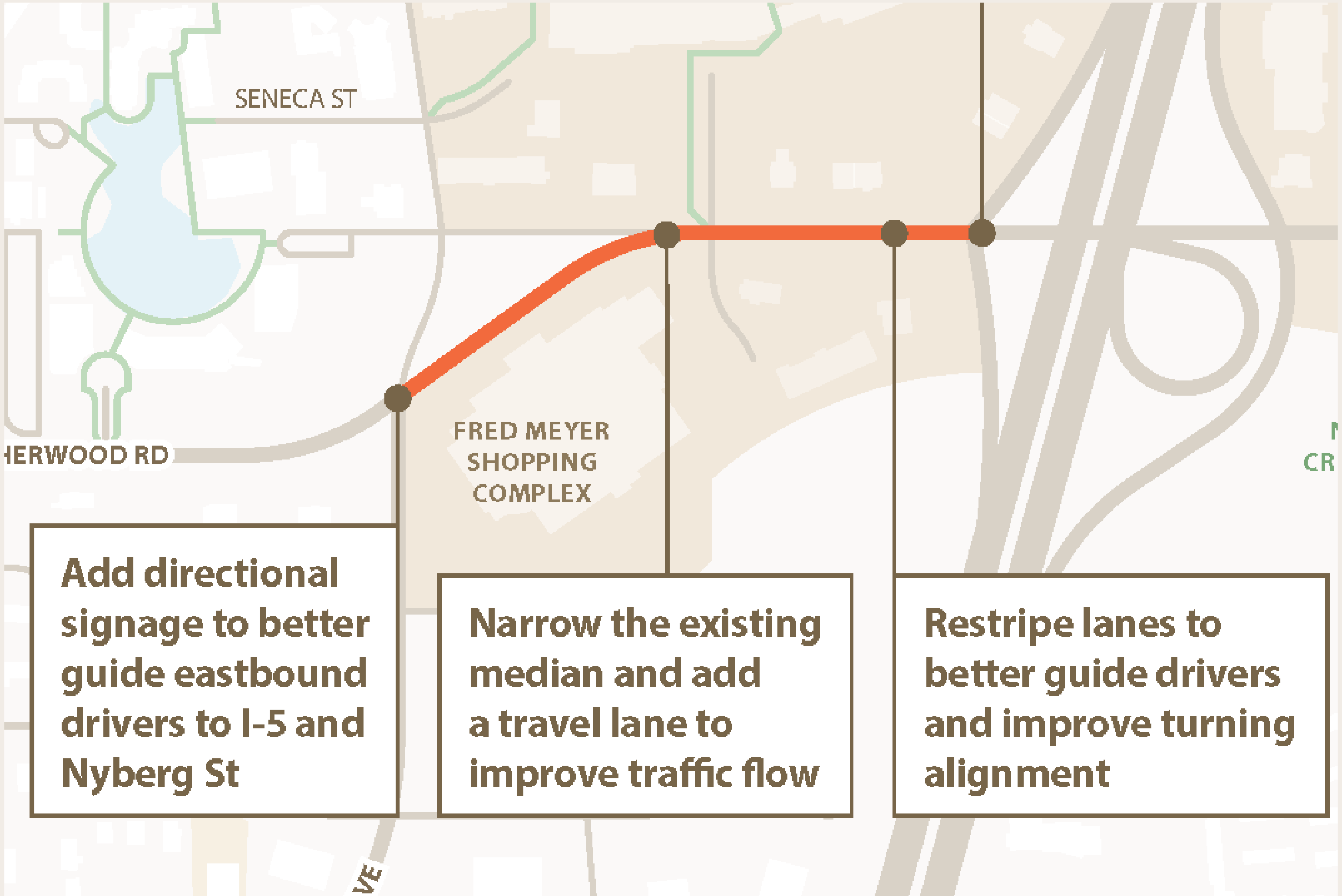
- Add a third eastbound lane from Martinazzi to I-5
- Repave and restripe lanes for more efficient allocation of traffic
- Install signage
- Improve bicycle access and safety throughout this corridor



Reduce Travel Time for Drivers

Problem:
Traffic bogs down in the right lane, while the left lane remains relatively unused.

Solution:
Narrow the median to add a lane for drivers heading east.

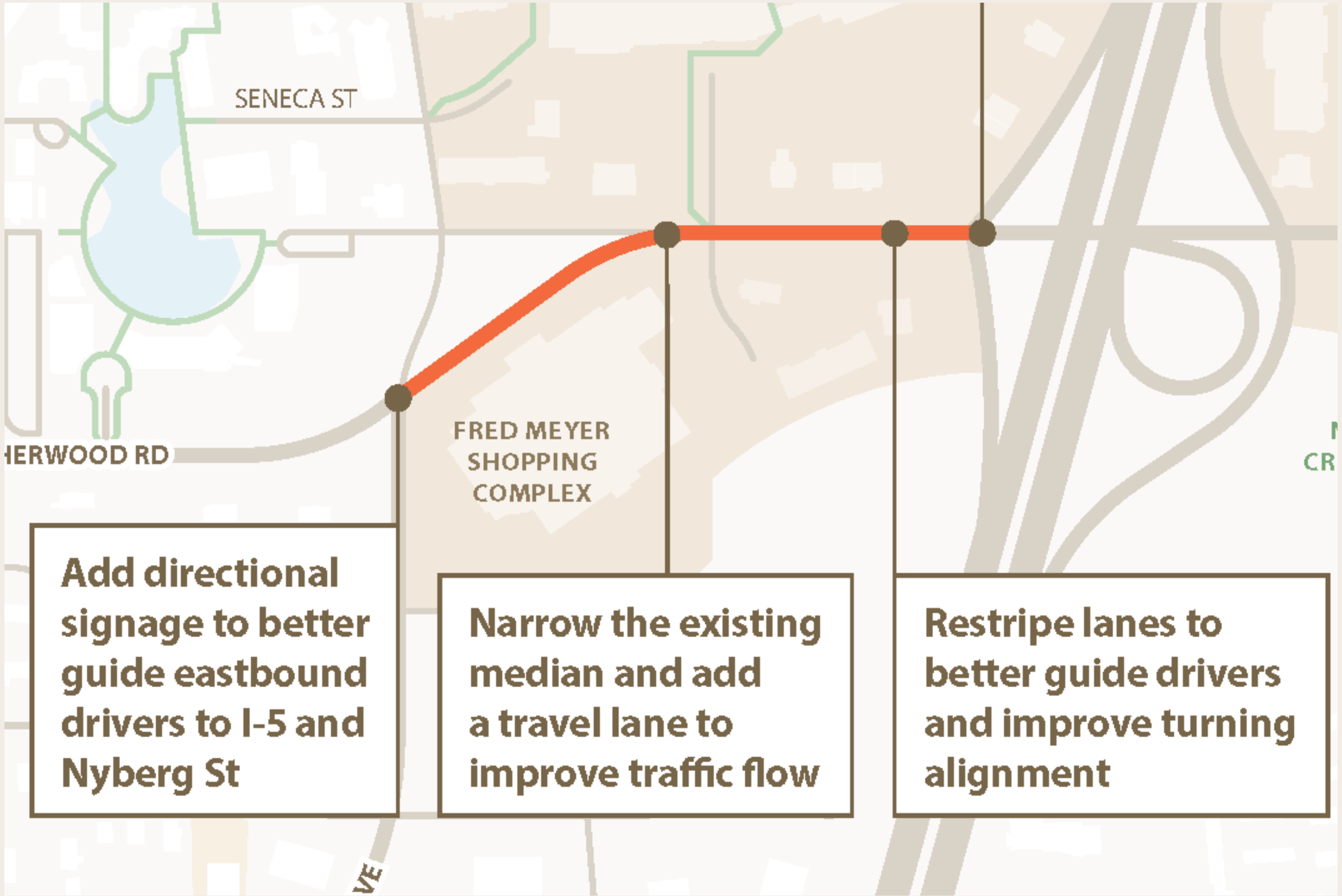


Improve Predictability

Problem:
Signage and roadway striping provide inconsistent guidance to drivers.

Solutions:

- New overhead signage and pavement markings on Tualatin-Sherwood Rd
- The roadway will be repaved and include updated striping



Tualatin MOVING FORWARD

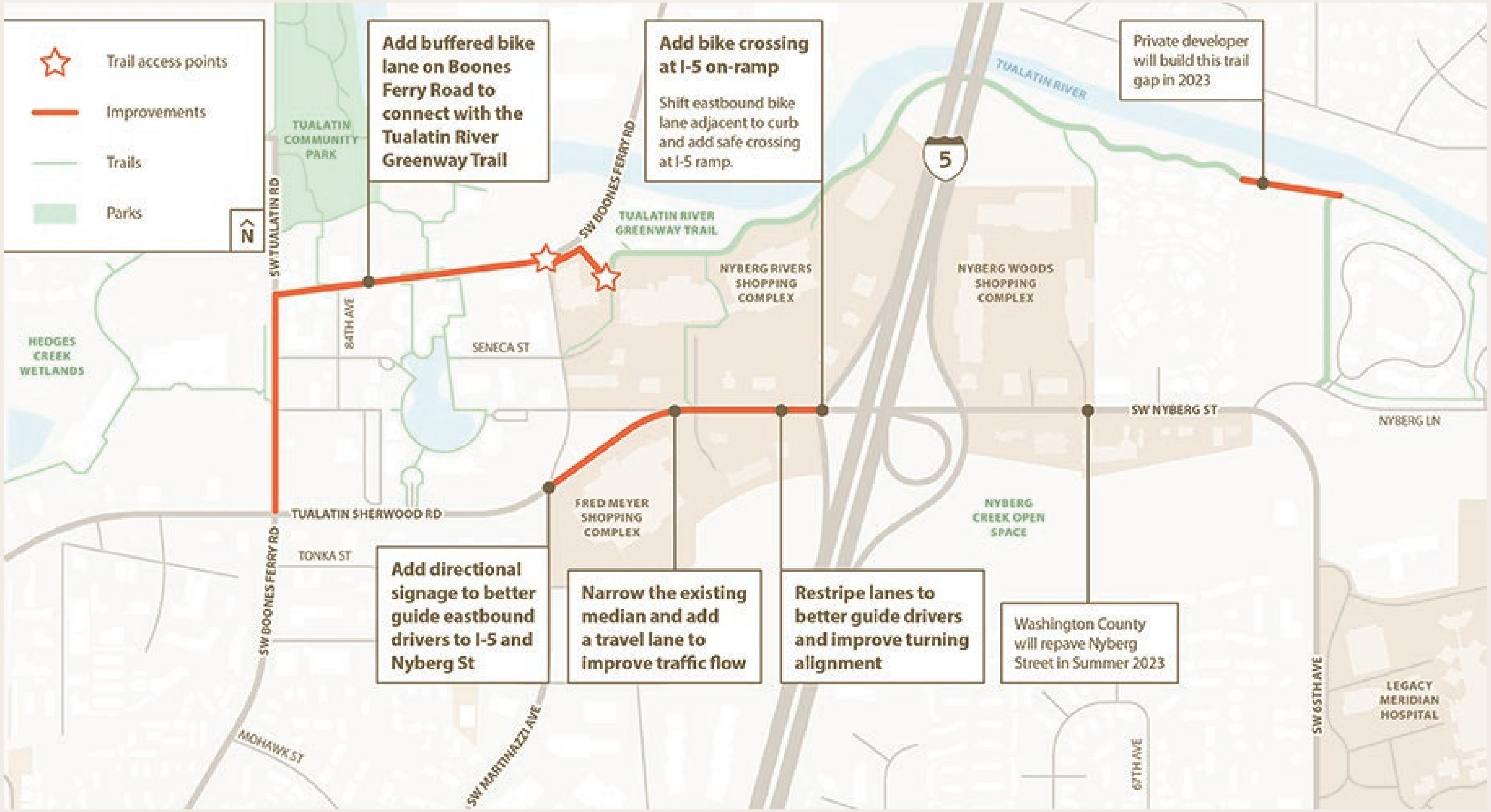
Improve Safety

City of Tualatin

Problem:
Dangerous and inconvenient to walk and bike here.

Solutions:

- Move eastbound bike lane to safer location, next to curb.
- Add a signalized crossing to help cyclists cross the I-5 SB ramp.
- Reinforces the Tualatin River Greenway as the best way to bike and walk across I-5.



Tualatin MOVING FORWARD

What to Expect

City of Tualatin

- ✓ Changes to the roadway: fresh paving, re-striping, new signage, new signals
- ✓ Narrowing the landscaped median
- ✓ Some disruption to traffic flow during construction, though most work will happen at night

Tualatin MOVING FORWARD

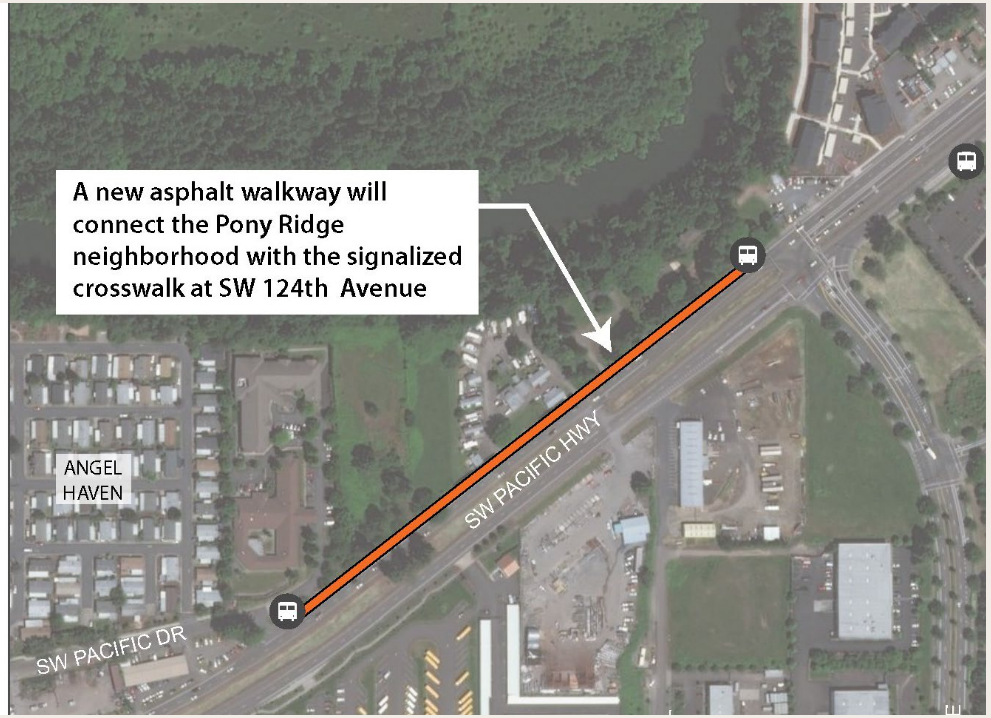
Hwy 99W:
Pony Ridge Neighborhood to 124th Ave

City of Tualatin

We're Fixing This!

Hwy 99W:
Pony Ridge Neighborhood to 124th Ave

- ✓ Install new sidewalks to connect neighborhood with busstops and signalized crosswalk at 124th Ave
- ✓ Another signature project for summer construction



Tualatin MOVING FORWARD

Creating Continuous Sidewalks and Bike Lanes on Boones Ferry Rd

City of Tualatin

Tualatin MOVING FORWARD

We're Fixing This!

¡Estamos Arreglando Esto!

City of Tualatin

Tualatin MOVING FORWARD

2023 Construction is Already Underway!

City of Tualatin

Hazelbrook Area Project (near Hazelbrook Middle School)

Martinazzi Ave/ Mohawk St

Martinazzi Ave near Fred Meyer

Watch Out for…

Lane closures and flaggers along:

- ✓ Boones Ferry Rd
- ✓ Tualatin Rd
- ✓ 65th Ave
- ✓ Sagert Street Bridge

Tualatin MOVING FORWARD

Watch Out for… *Friendly Flaggers*

City of Tualatin

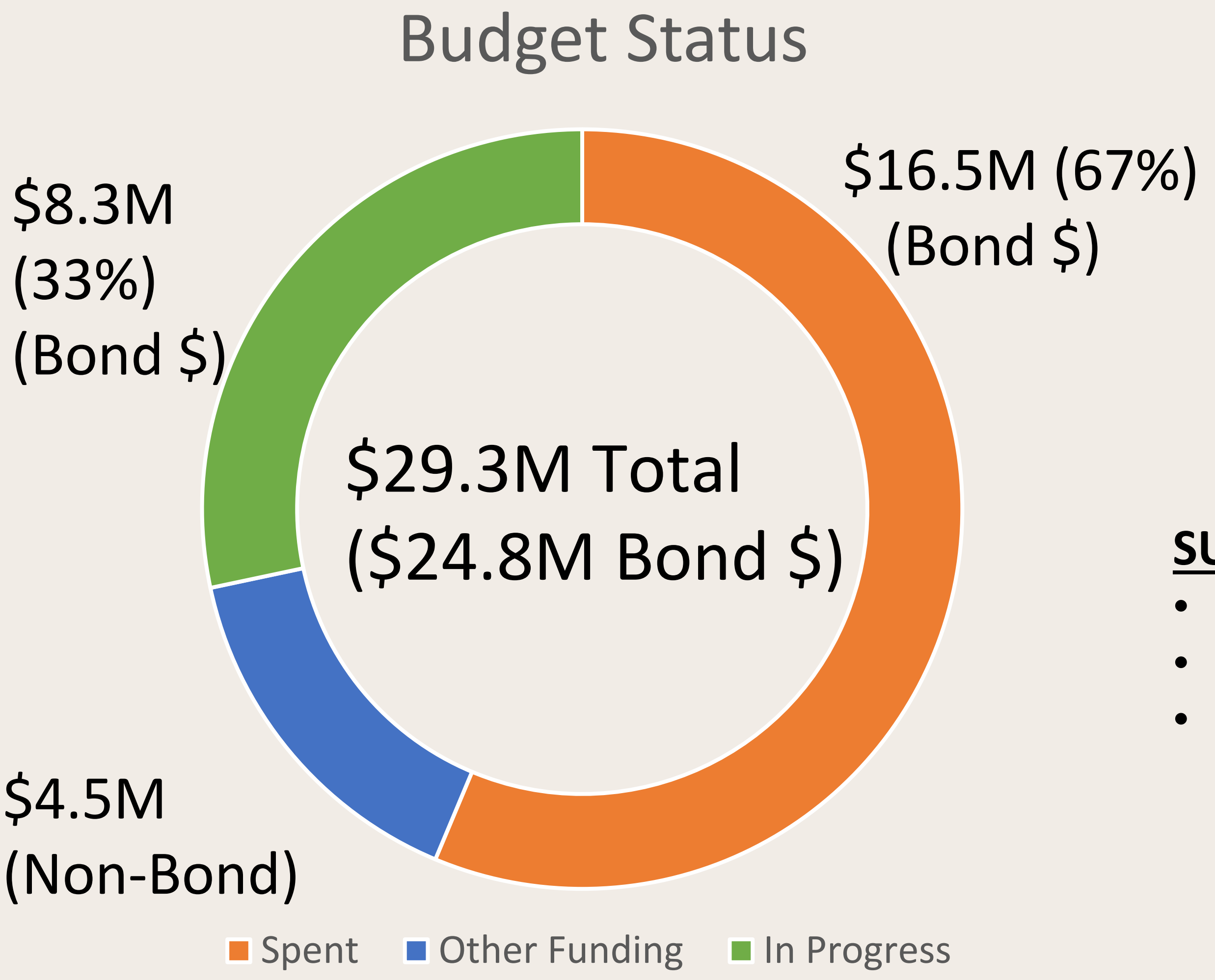
"I just want to take a minute to compliment the flaggers and crew of the construction team on the Boones Ferry Rd. Project. They are very friendly, courteous, and are going out of their way to keep our students safe at dismissal time by finishing up before the schools let out. I have been waiting years for this to happen. Keep up the good work. Please pass this message on to them and the city council. Thank you."

– Karen

"My wife and I wanted to express how nice and respectful your crews are doing the work along Boones Ferry, which we walk often together and with our dog. They are all so friendly and do a great job of cleaning up after they are done. Please pass our thanks along."

– Cam

Program Completion in 2023: On-Time, On-Budget



SUMMARY

- Bond Dollars = $24.8M
- TDT = $4.3M
- Other Grants= $250K

Tualatin MOVING FORWARD

QUESTIONS?

CITY OF TUALATIN
Staff Report

TO:	Honorable Mayor and Members of the City Council
THROUGH:	Sherilyn Lombos, City Manager
FROM:	Betsy Rodriguez Ruef, Community Engagement Coordinator Jerianne Thompson, Library Director and Equity & Inclusion Officer
DATE:	March 13, 2023

SUBJECT:
Consideration of Ordinance 1473-23, an Ordinance Creating the Tualatin Inclusion, Diversity, Equity, and Access (I.D.E.A.) Advisory Committee, and Defining Its Scope of Authority, Duties, Membership.

EXECUTIVE SUMMARY:
Ordinance 1473-23 would establish the I.D.E.A. Advisory Committee, empowering it to help the City of Tualatin build and strengthen relationships with the community as well as lower barriers to public participation in City government.

BACKGROUND:
The idea for this initiative began with the Council Committee on Advisory Appointments (CCAA), which, at the time, included Councilors Bridget Brooks, Valerie Pratt, and Maria Reyes. The CCAA met on July 6, 2021, to review information on other cities' committees dedicated to issues of diversity, equity, and inclusion as well as refine their recommendation to the City Council.

On October 11, 2021, the CCAA recommended the City Council create and appoint community representatives to serve on an ad hoc committee with the initial assignment of refining the scope of work for a permanent committee on this topic. They suggested the ad hoc committee consider building and strengthening relationships with the community as well as lowering the barrier to public participation in City government as primary objectives of the permanent committee. The City Council directed staff to begin putting together the ad hoc committee and assigned Councilors Cyndy Hillier and Christen Sacco to serve as liaisons. The City Council appointed 15 individuals to the Planning Group on May 9, 2022.

The Planning Group met six times between June and November 2022 (June 7, July 12, August 16, September 13, October 4, and November 1). Meetings were compliant with public meetings law and included an agenda distributed in advance and the preparation of minutes following the meeting. All meetings were held primarily in person, although a virtual option was made available for those unable to attend in person.

Members of the Equity Committee Planning Group presented the ad hoc group's final report and recommendation to the City Council on the creation of the Tualatin I.D.E.A. Advisory Committee on November 28, 2022. The report included recommendations on the name of the committee, number of members, composition of membership, committee positions, and powers and duties of the committee. On February 13, 2023, City staff presented a draft ordinance to City Council during the Work Session.

ATTACHMENTS:

- Ordinance 1473-23
- Presentation

I.D.E.A. Advisory Committee
Ordinance 1473-23 Adoption

March 13, 2023 | City Council Meeting

Introduction

- Why we are here?
- February 13 reviewed draft
- No changes requested
- Looking for Council to approve ordinance

Next Steps

Recruitment process highlights – Our goal is to get it to as many people as possible

Timeline – targeting start in Fall 2023

Staff Liaisons: Jerianne Thompson and Betsy Rodriguez Ruef

Marketing how we plan to market the I.D.E.A. Committee

Social Media
Website
Ad in Tualatin Life, Pamplin
Flyers
Press Release
In-person marketing
School District
Churches
MET Muslin Education Trust

Tualatin Today E-Newsletter
Testimonials of Equity Committee Planning Group members
Agency Grant Recipients
Volunteer Services
Networks & City Partners
City Committees & Staff
Ask Council to help with outreach
Individual Schools –Affinity alliance groups

I.D.E.A. Advisory Committee Timeline

- Solicitation period
- CCAA interviews
- City Council appointments
- Hire consultant
- Staff will schedule first meeting

Inclusion Diversity Equity Access

CITY OF TUALATIN
ORDINANCE NO. 1473-23

AN ORDINANCE CREATING THE TUALATIN INCLUSION, DIVERSITY, EQUITY, AND ACCESS ADVISORY COMMITTEE, AND DEFINING ITS SCOPE OF AUTHORITY, DUTIES, MEMBERSHIP.

WHEREAS, the City Council's 2030 Vision is to be an inclusive community that promotes equity, diversity, and access in creating a meaningful quality of life for everyone and to be a connected, informed, and civically engaged community that embraces our City's diversity; and

WHEREAS, the City Council created the Equity Committee Planning Group to advise on the structure of a permanent committee dedicated to issues of equity, diversity, and inclusion; and

WHEREAS, the City Council received thirty-three applications from community members and appointed fifteen people to serve on the Equity Committee Planning Group on May 9, 2022; and

WHEREAS, the Equity Committee Planning Group met six times between June and November 2022 and provided their final report and recommendation to the City Council on November 28, 2022.

NOW THEREFORE, THE CITY OF TUALATIN ORDAINS AS FOLLOWS:

Section 1. Establishment of Committee. The Tualatin Inclusion, Diversity, Equity, and Access Advisory Committee is established and created to act in an advisory capacity about how the City may build and strengthen relationships with the community as well as lower barriers to public participation in City government.

Section 2. Membership of Committee.

(1) The City Council shall appoint committee members. The committee shall consist of nine to thirteen members who shall be appointed for three-year terms or until their successors are appointed, except as provided in subsection (3) of this section. Of the initial members who are appointed, term lengths shall be staggered as determined by the City Council. A member may be reappointed to the Committee for additional terms at the discretion of the City Council.
(2) The City Council shall appoint no more than two members who reside outside of the City limits.
(3) The City Council may appoint one high school-aged youth member. A member appointed under this provision shall serve a one-year term that may be renewed for one additional year.
(4) In appointing members to the committee, the City Council shall seek to appoint members from a diversity of backgrounds, including cultural diversity, and experiences so that as many viewpoints as possible may be provided in furtherance of the committee's work. Recruitment efforts should include specific outreach to members of the BIPOC and LGBTQIA+ communities, the aging population, persons with differing abilities, and other underrepresented groups to achieve this goal. Persons not mentioned in this description are invited and encouraged to apply.

(5) A committee member may obtain an excused absence by contacting one of the co-chairs or the staff liaison of the committee prior to a scheduled meeting.
(6) Each committee member serves at the discretion of the City Council and may be removed by the City Council for any reason.
(7) The City Council shall fill any vacancy on the committee for the unexpired term of the member creating the vacancy.

Section 3. Organization of Committee.

(1) The committee shall elect two co-chairs at the first meeting of each calendar year. To the extent possible, committee members shall consider appointing members to the offices of co-chair who have different tenure with the committee.
(2) If the offices of one or both of the co-chairs become vacant, the committee shall conduct a special election to fulfil the unexpired term of the chair(s).
(3) The committee may appoint a secretary from within the committee's membership to support the co-chairs and staff liaison with onboarding, record keeping, and other administrative tasks.
(4) The City Council shall appoint one member of their body as an ex officio member to the committee. Except as otherwise provided, such ex officio member shall be treated as a committee member, i.e., by receiving a copy of the agenda, and by having the rights of full participation in the committee's discussion. The ex officio member shall not be counted for purposes of establishing a quorum for the conduct of committee business and shall not be permitted to vote on motions or other action taken by regular committee members.
(5) The City Manager or the Manager's designee shall serve as staff liaison to the committee. The staff liaison shall keep an accurate record of all committee proceedings and shall file a report of the proceedings with the City Recorder within 30-days of such proceedings.

Section 4. Meetings, Quorum Requirements, Rules. A majority of the currently appointed members of the committee shall constitute a quorum. Not less than a quorum of the committee may transact any business or conduct any proceedings before the committee. The committee may adopt and amend rules and regulations to govern committee policy and procedures to implement this ordinance. The committee shall establish regular meeting dates and meeting locations at the first meeting of each calendar year. All meetings are open to the public.

Section 5. Expenditure of Funds. The committee shall obtain approval of the City Council during the annual budget process or by motion or resolution stating the purpose of such expenditure before expending or obligating funds on behalf of the City.

Section 6. Powers and Duties. The committee shall have the following powers and duties in addition to those otherwise granted by the City Council:

(1) Provide advice to the City Council by conducting research, including engaging with a range of community members and groups, to identify areas of opportunity to increase equity, inclusion, diversity, access, and belonging in Tualatin.
(2) Recommend goals, objectives, and methods for the City to use to measure progress towards achieving greater equity, inclusion, diversity, access, and belonging in Tualatin.

(3) Review practices and procedures to make recommendations on how to remove or lessen barriers to public participation in City government.
(4) Recommend policies and procedures for the City to further empower people to connect with City elected and appointed officials and staff.
(5) Make recommendations to the City Council regarding issues of equity, inclusion, diversity, access, and belonging.

Section 7. Annual Report of the Committee. No later than December 31 of each year, the committee shall file its annual report with the City Council. The annual report shall include a summary of the committee's activities during the preceding year and other matters and recommendations the committee deems appropriate for the City Council.

Introduced and adopted this ___________________________.

City of Tualatin, Oregon

By ____

Mayor

ATTEST:

By ____

City Recorder