

DATE: January 19, 2023  
TO: Milwaukie HCA HPS Housing Capacity Technical Committee  
CC: Laura Weigel, City of Milwaukie  
FROM: Beth Goodman and Kaitlin La Bonte  
SUBJECT: Housing Actions for Possible Inclusion in the HPS

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Milwaukie is in the process of developing a Housing Capacity Analysis and Housing Production Strategy (HPS) to address the City's unmet housing needs. The Housing Capacity Technical Committee (HCTC) is providing input on development of the HCA and HPS. Through this project, we have held the following Committee meetings:

- April 28 - We met with the HCTC to provide an overview of the project and project schedule, discuss desired project outcomes, and ask for feedback about the public engagement process.
- June 30 - The HCTC met to review the preliminary findings of Milwaukie's housing needs, including reviewing the key findings of the draft housing needs projection memorandum.
- August 11 - The HCTC met to review the buildable lands inventory and preliminary redevelopment analysis findings.
- October 20 - the HCTC met to review Milwaukie land sufficiency findings and discuss the actions that could be included in the HPS to address the unmet housing needs in Milwaukie.

This memorandum will provide the basis for continued discussion of the strategies at the January 26<sup>th</sup>, 2022 meeting with the HCTC, focusing on the following questions:

- Are the actions included in this memorandum the appropriate actions to address unmet housing need in Milwaukie?
- Are we missing any actions that should be included in the HPS?
- Should we remove any of the actions from the list to include in the HPS?
- Are there actions that we need to do additional research or refinement on to better fit them to address Milwaukie unmet housing needs?

Beyond the January HCTC meeting, we will meet with the HCTC two more times to: (1) develop details of each strategy, and (2) review the full draft HPS.

This project discusses housing affordability. It focuses on support for housing development of three types of affordable housing, based on information from the HUD and the U.S. Census' American Community Survey:

- **Very low-income and extremely low-income households** are those who have an income of 50% or less of the Portland-Vancouver-Hillsboro, OR-WA Metropolitan

Statistical Area (MSA) Median Family Income (MFI)<sup>1</sup> for a household of four which is an annual household income of \$48,450. Development of housing affordable to households at this income level is generally accomplished through development of government-subsidized income-restricted housing. These households can afford monthly housing costs of \$1,210 or less.

- **Low-income households** are those who have income of 50% to 80% of the Portland-Vancouver-Hillsboro, OR-WA MSA MFI for a household of four or income between \$48,500 to \$77,500. The private housing market may develop housing affordable to households in this group, especially for the higher income households in the group. These households can afford monthly housing costs of \$1,210 to \$1,940.
- **Middle-income households** are those who have income of 80% to 120% of the Portland-Vancouver-Hillsboro, OR-WA MSA MFI for a household of four or income between \$77,500 to \$116,300. The private housing market may develop housing affordable to households in this group, especially for the higher income households in the group. These households can afford monthly housing costs of \$1,940 to \$2,910.

This memorandum presents additional information about the actions discussed at the October 20<sup>th</sup> meeting and begins to evaluate them for inclusion in the HPS. The memorandum is separated into six sections:

- What is the City already doing to address housing needs?
- Requirements of a Housing Production Strategy
- Summary of Potential Housing Actions
- Recommendations for Future Actions
- Actions Under Consideration for Inclusion in the HPS
- Preliminary evaluation of each action

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<sup>1</sup> Median Family Income is determined by the U.S. Department of Housing and Urban Development. In 2021, the MFI for the Portland-Vancouver-Hillsboro, OR-WA MSA was \$96,900 for a family of four.

## What is the City already doing to address housing needs?

Over the last five years, the City has implemented the following actions. Many of them are from the *Milwaukie Housing Affordability Strategy* (MHAS) report.

- **Streamline the development process.** Milwaukie took steps to streamline the development process, making development easier for developers. Actions the City has taken include: assigning project managers as a consistent point of contact, hiring a housing coordinator, charging consistent and predictable permit fees, providing a predictable review process with early feedback, partnering with non-profit and other public agencies to inform up-to-date housing needs, and identifying zoning code changes to make development faster.
- **Middle housing code changes.** The City implemented middle housing code changes, consistent with House Bill (HB) 2001, which allows townhouses, cottage housing, duplexes, triplexes, and quadplexes in areas that have primarily consisted of single unit housing.
- **Regional general obligation bonds.** Milwaukie engaged with Metro and its Equitable Housing Program to explore securing bond financing for additional affordable housing. This effort ended up converging with the 2018 regional affordable housing bond that was approved by Metro-area voters.
- **Housing Coordinator.** Milwaukie hired a housing coordinator to ensure dedicated resources would be directed to increasing housing affordability. This position was in charge of MHAS implementation and has morphed over the last several years due to resource constraints and updated council goals.
- **Construction Excise Tax (CET).** The City implemented a CET in 2017, including developing criteria and plans for distribution of CET funds. The City released a competitive request for proposals in 2022 to award up to \$2M in CET funds for qualifying income-restricted housing projects. As funds continue to accumulate overtime, the City will release subsequent rounds of funding. CET funds generated from within Milwaukie are also utilized by the State to provide first time homebuyer assistance for residents.
- **Property tax exemptions.** The City worked with the various taxing districts to allow non-profit owned, income-restricted housing developments to apply for an annual property tax exemption. This program has been utilized primary by Northwest Housing Alternatives Walsh Commons development on Willard Street.
- **Model potential impact of incentives.** Milwaukie started the process of modeling potential impacts of incentives by engaging with the development community to understand the potential impact of reducing or waiving transportation impact fees and systems development charges. The City is still working with developers to understand impact of incentives of green building standards, density bonuses, development standard variances, and parking reductions.

- **Eviction mitigation.** Milwaukie partnered with county mediation services, training services, and other resources to assist tenants and landlords in eviction prevention. These resources are available and accessible to all on the city website. The City has also offered several rounds of rental assistance to qualifying lower-income residents for additional mitigation.
- **Low-cost loans to support rehabilitation.** The City partners with and supports Clackamas County's affordable housing development and rehabilitation projects in Milwaukie. Milwaukie does not offer loans for rehabilitation but directs interested parties to Clackamas County for these loans.
- **Develop informational materials.** Milwaukie developed (or partners with others who have developed) informational materials available for tenants, prospective homebuyers, and others, making the materials available on the City's website. For example, the City is developing a financial resource guide for tenants and property owners. The City promotes the County's Rent Well program, which provides tenant education to give residents the support, knowledge, and expertise they need to become successful tenants.

## Requirements of a Housing Production Strategy

This section briefly describes the monitoring and reporting requirements the City will have to follow after adoption of the HPS. The City is required to submit the HPS to Department of Land Conservation and Development (DLCD) after its adoption by the City Council. The City is then required to monitor progress on implementation of the HPS and progress on production of housing related to the policies and actions in this report. Linking housing development directly to implementation of the actions in this report may be challenging and difficult to quantify. But City staff will be able to report changes in building activity that occur before and after implementation of specific actions and will be able to provide qualitative feedback on implementation of actions based on development of partnerships and discussions with stakeholders.

Milwaukie will be required to submit a report to DLCD three years after the City adopts the HPS that includes a **summary** of the actions taken by that time, and an **evaluation** of the efficacy of the actions that the city has implemented for meeting the needs in the HCA and whether the actions are moving the city to achieve more fair and equitable housing outcomes.

Implementation of the HPS will take time because each action will require 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 or chose not to implement some of these actions because of new information that arises from further consideration about the specifics of each action. If the City is unable to or chooses not to implement an action within 90 days of the timeline proposed in the HPS, the City must notify DLCD about the action(s) that the City is taking to address this issue. The City may propose an alternative schedule for implementing the action or may identify a different action (or actions) to meet the specific housing need addressed by this action.

## Summary of Potential Housing Actions

This section describes a refined list of potential actions that Milwaukie could take to address its housing needs which were identified in the Milwaukie Housing Capacity Analysis. The project team and HCTC reviewed and discussed an initial list of potential actions with the HCTC at the HCTC meeting on October 20, 2022.

The project team has since refined this list to identify actions that are highest priority for inclusion in the HPS (Exhibit 1), as well as actions that are more appropriate as a recommendation in the HPS (see Recommendation for Future Actions section). Actions were deemed more appropriate as a recommendation if it involved the City continuing work already underway, or would start the action at an undefined point in the future. Some strategies were merged with strategies in Exhibit 1.

### Exhibit 1. Higher Priority Strategies for Inclusion in HPS

Action	Category	Rationale	City Role	Potential Impact on Development Cost or Unit Production	Complexity to Administer	Tenure	Most Likely Affordability Level Targeted
A. Land Banking, Parcel Assembly, Land Disposition, Land Trusts and Cooperative Housing Models <sup>2</sup>	Lower Development/Operational Costs	Reduce land costs	Lead	Small to Large	High	Both	80% MFI and below
B. Reduced / Waived Planning Fees <sup>3</sup>	Lower Development/Operational Costs	Reduce development costs	Lead	Small	Medium	Both	80% MFI and below
C. Multiple-Unit Limited Tax Exemption Program (Locally Enabled And Managed)	Lower Development/Operational Costs	Reduce development costs	Lead	Small to Moderate	Medium	Rental	80% MFI and below

<sup>2</sup> Land Trusts and Cooperative Models were added to Action A, rather than being included as separate strategies.

<sup>3</sup> Permit Fees were removed from Action B because funds from these fees get distributed to multiple departments.

Action	Category	Rationale	City Role	Potential Impact on Development Cost or Unit Production	Complexity to Administer	Tenure	Most Likely Affordability Level Targeted
D. Increase allowable residential densities	Land Use Regulations	Increase housing diversity	Lead	Moderate to Large	Medium	Both	Any
E. Provide Density Bonuses To Developers for Income Restricted Housing	Land Use Regulations	Reduce development costs	Lead	Small to Moderate	Low	Both	60% MFI and below
F. Inclusionary zoning	Land Use Regulations	Increase affordable housing development	Lead	Small to Moderate	High	Both	80% MFI and below
G. Develop Housing Options And Services To Address And Prevent Houselessness <sup>4</sup>	Programs that Provide Financial Assistance	Provide Financial Assistance	Partner	Small to Moderate	High	Rental	60% MFI and below
H. Revolving loan fund for rehabilitation	Programs that Provide Financial Assistance	Provide Financial Assistance	Partner	Small to Moderate	Medium	Both	120% MFI and below
I. Urban Renewal / Tax Increment Finance (TIF)	Funding sources	Affordable housing subsidy	Lead	Moderate to Large	High	Both	120% MFI and below
J. Construction Excise Tax	Funding sources	Increase housing stock	Lead	Small to Large	Medium	Both	120% MFI and below

<sup>4</sup> The Support Targeted Housing Services action was merged into Action F.

## Recommendations for Future Actions

The following actions, while important and useful, will not be included as strategies in the HPS. Instead, the HPS will include them as recommendations that the City may want to consider in the future or as part of another process. The City will not have to report on progress towards these actions.

- **Rental Assistance Programs.** The City has implemented a rental assistance program in the past, and will continue to do so as funding is available. The City should continue to identify funding sources for this program and implement as funding becomes available.
- **Pursue Community Development Block Grant (CDBG) Funds from Clackamas County.** The City should continue to work with the County to understand and determine how to leverage and receive CDBG funds for local use.
- **Inclusionary Zoning.** If state policy changes to allow more flexibility in inclusionary zoning program requirements, the City should reevaluate implementation in Milwaukie.
- **Develop Pre-Approved Plan Sets For ADUs And Middle Housing Typologies.** As Milwaukie's middle housing code was only recently implemented (in June 2022), it is not yet known how the removal of these barriers will shape demand and development trends for middle housing types. The City should monitor middle housing development trends over the next few years and revisit the 'Pre-Approved Plan Set' action once there is a better sense of the kinds of middle housing plans that are most desirable and feasible in Milwaukie. At that time, the City can work with architects and developers to identify and develop plan sets for feasible middle housing types to incentivize their production within the city.
- **Allow Tiny Homes.** The City should evaluate whether to allow tiny homes. If so, review the development code for barriers to tiny homes and tiny home villages, and amend the code as needed to allow and facilitate development of these housing types.
- **Support Preservation Of Manufactured Home Parks.** There are only two mobile home parks in Milwaukie. There are two primary ways the City could support preservation of these parks. One option is a regulatory approach, where the City develops and implements a zone over these parks that allows manufactured home parks as a permitted use and prohibits other types of single-family detached or multifamily housing. Another option is to work with owners of manufactured home parks when they go up for sale and facilitate purchase by a nonprofit. The City should evaluate these approaches and determine the most promising option for Milwaukie.
- **Relocation Assistance Requirements.** The City could evaluate implementing a policy that requires landlords to provide financial relocation assistance to renters under specific situations. For instance, the City might model the policy from Portland's Mandatory



Renter Relocation Assistance program, where renters may have the right to be paid relocation assistance from their landlord in the following situations:

- No-cause eviction
- Notice of non-renewal of a fixed term lease (not becoming month-to-month)
- Qualified landlord reason for termination
- Rent increase of 10 percent or more over a 12-month period
- Substantial change of lease terms

## Actions Under Consideration for Inclusion in the HPS

This section presents some information about each action. If selected for inclusion in the HPS additional information will be included for each action. In Action A, we show all of the information that will be included in the HPS, with placeholders for information we will fill in later.

### A. Develop a Land Bank Strategy and Partnerships to Support Affordable Housing Development

#### Rationale

Land control is critical because costs make affordable housing development difficult or financially infeasible. Control of land also allows the owner to determine how land is developed. Land costs account for a substantial portion of housing development costs. Thus, removing or reducing land costs can dramatically lower the costs of developing affordable housing.

Land banks support low- and moderate-income affordable housing development by reducing or eliminating land cost from development, increasing a nonprofits' capacity to build affordable housing

Land trusts support affordable housing development by reducing or eliminating land cost from development. Land trusts hold land in perpetuity and sell or lease the housing on the land at below-market rate prices. Land trusts most frequently provide opportunities for homeownership that remain affordable over the long-term.

#### Description

The City can support development of income-restricted affordable housing (housing affordable at or below 60% of MFI) or moderate income housing (housing affordable between 60% and 120% of MFI) by helping to reduce costs in a number of ways:

##### Land Banking

Through **land banking**, the City can provide a pipeline of land for future development and control the type of development that may occur on that land. The City could pursue land banking in three ways:

- Designate city-owned land as surplus and contribute that land to the land bank, eventually conveying that land to affordable housing developers for development of housing at agreed-on level of affordability, such as housing affordable below 60% of MFI.
- Purchase properties for the purpose of building affordable housing and convey that land to affordable housing developers for development of housing at agreed-on level of affordability.
- Provide funds to support land banking done by another organization, with the purpose of building affordable housing in the future.

The land bank can provide land to support residential development, of either rental housing or ownership housing.

To support development of land for rental housing, the City's role could be to partner with a nonprofit affordable housing developer to build housing affordable at less than 60% of MFI or a developer of mixed-income housing, which would include some amount of housing affordable between 60% and 80% of MFI and housing available at market rates. Housing affordable to households with incomes of less than 60% of MFI is financed with state and federal funds, which mandate long-term affordable (e.g., maintaining affordability for 30 years or longer). Maintaining affordability of mixed-income housing may require direct agreements with the developer and owner, typically tied to low-cost land (such as land in a land bank) and other incentives (such as tax exemptions).

### **Community Land Trusts**

Building affordable housing for homeownership requires different considerations to ensure long-term affordability, beyond the first sale. One arrangement to ensure long-term affordability is a land trust. **Land trusts** support affordable housing development by holding land in perpetuity and selling or leasing the housing on the land at below-market rate prices. Land trusts most frequently provide opportunities for homeownership that remain affordable over the long-term.

A land trust is typically managed by a nonprofit organization that owns land and sells/leases the housing on the land to income-qualified buyers. Because the land is not included in the housing price for tenants/buyers, land trusts can achieve below-market pricing. Land trusts are most commonly used as a method for supporting affordable home ownership goals. The City's role would be one of supporting and partnering with the nonprofit that runs the land trust or developing a city-run land trust.

The City may participate in a community land trust that is operated by an existing entity, often a nonprofit organization. The City's role in a community land trust could be as a partner, possibly assisting the trust with land acquisition through land banking or through providing funding to support housing development.

### **Housing Cooperative**

Another option for maintaining long-term affordability of affordable homeownership units is through a **housing cooperative**, which is a legal structure available to allow resident-ownership of multifamily property. Cooperatives provide a flexible and accessible homeownership model and are similar in concept to land trusts in that they allow for long-term affordable homeownership options. Instead of an individual family (or a land trust) owning a single-family home or a condominium, a cooperative corporation, or co-op, formed by the residents, owns housing, most often in the form of a multifamily building. Each resident household buys a share in the co-op building at a price that can be far below the cost of a down payment for a market rate single family home; this is called a "share price." Purchasing this share makes the household a member of the co-op and entitles the household to live in a unit with a proprietary lease.

The City could support a housing cooperative in a similar way that it could support a community land trust, such as assisting the trust with land acquisition through land banking or through providing funding to support housing development.

### **City Role**

The City's role may vary on different projects, such as contributing city-owned surplus land for development, assisting with land purchase and assembly, providing funding to support land purchase, or partnering in an affordable housing development project that includes land banking as well as other strategies. Specific City roles could include:

- City funds technical or legal assistance needed to form a housing cooperative.

- Partner-led project with a nonprofit developer, land trust, or housing cooperative in which City contributes funds or land to the project.
- City-led affordable housing development project with city-owned land banking. City can provide funds or land and help with parcel assembly.
- Offering assistance to an existing land trust or housing cooperative, such as such as conveying City-owned land or contribute funds to an existing non-profit land trust, providing information about the programs to prospective participants, technical assistance in the permitting and development process, or providing down payment assistance to lower the owner's share purchase price.

The City could maintain an inventory of land, publicly owned or otherwise, that is available and properly zoned for housing development.

### City Policy<sup>5</sup>

Plan Document	Policy Number	Policy
MHAS	1.2	Explore the development of a community land trust (CLT) or another model that supports creative financing for a project (E.g., co-op model, communal living, etc.)
MHAS	1.2.1	In addition to other actions, partner with banks to have rent payments demonstrate responsibility that supports qualification for down payment loan assistance. (Community reinvestment act points could be leveraged.)
MHAS	1.2.2	Further explore the co-op model or one that allows a first right of refusal for renters, and look at policies or incentives that the City could implement to encourage this action.
MHAS	1.2.3	Establish an inventory of foreclosed, short-sale homes and multi-family development to encourage the CLT platform or other model and market to mission driven developers as a pilot project.
MHAS	1.6.3	Continue to find opportunities to land bank and perform necessary due diligence in property negotiations.
Comp Plan	7.1.1	Provide the opportunity for a wider range of rental and ownership housing choices in Milwaukie, including additional middle housing types in low and medium density zones
Comp Plan	7.2.5	Expand and leverage partnerships with non-profit housing developers and other affordable housing providers and agencies that preserve or provide new low to moderate income-housing units, create opportunities for first-time homeownership, and help vulnerable homeowners maintain and stay in their homes.
Comp Plan	7.2.12	When negotiating public-private land transactions, pursue the goal of reserving some portion for affordable housing where appropriate.
Comp Plan	7.2.13	Continue to seek out opportunities to land bank for the purpose of affordable housing and perform necessary due diligence in property negotiations.
Comp Plan	7.4.6	Reduce development code barriers for intentional communities
Comp Plan	8.3.5	Expand the use of incentives and other financial tools that serve to: a) Encourage development in Neighborhood Hubs b) Improve housing affordability.

<sup>5</sup> This section identifies the policies from the Milwaukie Housing Affordability Strategy and the Milwaukie Comprehensive Plan that support the action.

### Partners and their Role

Partner 1. To be filled in later

Partner 2. To be filled in later

### Anticipated Impacts

To be filled in later

Populations Served	Income	Housing Tenure	Magnitude of New Units Produced
Low- and middle-income households	Households with incomes below 80% of MFI May include projects for households with income below 120% of MFI	Renter or Owner	Moderate to Large

### Potential Risks

To be filled in later

### Implementation Steps

To be filled in later

### Implementation Timeline

To be filled in later

Timeline for Adoption	Implementation to Commence	Timeframe of Impact

### Funding or Revenue Implications

To be filled in later

## B. Reduced SDCs or Planning Fees

### Rationale

One of the main ways a city can influence project costs is through exempting some developments from paying Systems Development Charges (SDCs) or Planning Fees. SDC's can represent a substantial portion of development costs, while Planning Fees are typically more costly. When cities reduce these fees, especially SDCs, it can increase the financial feasibility of a project and facilitate more affordable housing production. In most cases, the City will need to find an alternative funding source to pay ("backfill") the costs of SDCs exempted on specific projects.

### Description

SDCs are assessed on new development, and the City must use SDC revenues to fund growth-related capital improvements. They are intended to reflect the increased capital costs incurred by a municipality or utility because of a development. SDCs are one of several ways for local governments to pay for expanding infrastructure and other public facilities, including sewer, water, transportation, and parks and recreation. The City of Milwaukie charges SDCs on new and expanding development within the city that connects to or otherwise will use City services. Milwaukie can reduce Planning Fees and SDCs for domestic water, sanitary sewer, transportation and stormwater.

Milwaukie already considers waiving SDCs associated with development of income-restricted housing projects that provide housing at 30% or less of Median Family Income. This action proposes to go beyond the existing policies to consider reducing Planning Fees or SDCs for development of housing affordable to households with incomes of 60% or less of MFI. Most service providers that offer SDC exemptions or reductions in Oregon for affordable housing limit it to regulated/income-restricted affordable housing. Some cities have set a cap on the amount of waivers (number of units or dollar amount) they will issue for a given time period.

In most cases, cities must identify ways to "backfill" the cost of reducing SDCs, from other sources such as a CET fund and are typically advised to do so, but it is not required by state statute.

The City's Planning Fees are less costly than SDCs and the City could also consider reducing Planning Fees to support development of affordable housing, such as that affordable to households with incomes of 60% or less of MFI.

### City Role

Evaluate updates to the City's SDC methodology as well as criteria that would make certain types of housing eligible for an SDC reduction and identify a funding source to "backfill" the SDC costs. Implement SDC methodology change by ordinance or resolution. Develop similar criteria for reducing Planning Fees.

### City Policy

Plan Document	Policy Number	Policy
MHAS	1.9.5	Waive SDC Fees
Comp Plan	8.3.5	Expand the use of incentives and other financial tools that serve to: a) Encourage development in Neighborhood Hubs. b) Improve housing affordability.

## C. Multiple-Unit Property Tax Exemption Program (Locally Enabled And Managed)

### Rationale

The Multiple-Unit Property Tax Exemption (MUPTe) program is flexible, and eligibility criteria can be set locally, allowing the City to target the exemption to meet its needs. It offers an incentive for preservation and development of housing for low to moderate-income households. It can offer an incentive for mixed-income housing, providing a way to leverage private, market-rate development to expand affordable housing.

### Description

MUPTe allows cities to offer a partial property tax exemption (limited to the value of the housing, not the land) for multi-unit development that meets specific locally established criteria, such as having an affordability agreement with a public agency. The terms of the affordability agreement can be set by the City—there are no specific income/affordability requirements in the state statute that enables the program. The City can cap the number of MUPTe exemptions it allows.

The City could explore using MUPTe in two possible ways:

- To incentivize mixed income development through inclusion of below-market units (units affordable below 80% of MFI) in otherwise market-rate developments.
- To incentivize owners of existing low-cost market rate housing to rehabilitate properties without displacing existing tenants or escalating rents.

What does the exemption apply to? It applies to rental housing for low-income and moderate-income persons, often in a mixed-income multi-unit building. The exemption applies only to improvement value of the housing.

How long does it apply? The property tax exemption can be granted for up to 10 years, except that for low-income housing, exemption can be extended for as long as the housing is subject to the public assistance contract.

What taxing districts would participate? The property tax exemption only applies to city property taxes (which account for about 19% of property taxes in Milwaukie, inclusive of levies) unless the City gets affirmative support from at least 51% of overlapping taxing districts for the exemption to apply to their tax collections. Typically, the tax exemption from MUPTe is only large enough to provide an incentive for affordable housing development with support of the overlapping taxing districts (so that all property tax is exempted by MUPTe).

### City Role

- Work with other taxing districts to leverage their support for MUPTe
- Implement the exemption and execute on annual reporting and administration procedures

### City Policy

Plan Document	Policy Number	Policy
MHAS	1.3	Explore incentivizing the development of affordable units through a local property tax exemption or other form of tax alleviation
MHAS	1.3.1	Explore a partnership with the Clackamas County Housing and Homelessness Task Force
MHAS	1.3.2	Hold education sessions with other taxing districts to leverage their support
MHAS	1.13	Partner and support Clackamas County's affordable housing development and rehabilitation projects in Milwaukie

Comp Plan	8.3.5	Expand the use of incentives and other financial tools that serve to: a) Encourage development in Neighborhood Hubs. b) Improve housing affordability.
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## D. Increase densities in the High-Density Residential (HDR) Zone

### Rationale

Increasing residential densities in the HDR zone can allow for more development of multi-unit housing, both for affordable housing and market-rate multi-unit housing.

### Description

Milwaukie's 2022 Housing Capacity Analysis (HCA) shows that the city's high density residential zones have been developing at far lower density than the allowed by code. The HCA shows that between 2000 and 2020, in the R-2 and R-3 zones, Milwaukie's newly permitted housing was developed<sup>6</sup> at a net density of 6 and 9.9 dwelling units per net acre respectively.

The City recently consolidated its high-density residential zones into one zone, the High Density Residential (HDR zone). This code change increased the minimum and maximum densities in high density residential zones to 25 and 32 dwelling units per acre respectively.<sup>7</sup>

Further increasing the allowable densities in the City's high density residential zones gives developers the option of building more units in these zones. The City could increase density in the high-density residential zones in several ways:

- Evaluate increasing allowed density in the high-density residential zone
- Look for opportunities to rezone to add more land to the high-density residential zone.
- Evaluate potential opportunities to support redevelopment of underutilized parcels in high density residential zones, such as parcel assembly (Action A).

### City Role

Evaluate options for increasing density, then adopt code changes or determine other implementation steps.

### City Policy

Plan Document	Policy Number	Policy
Comp Plan	7.1.2	Establish development standards that regulate size, shape, and form and are not exclusively focused on regulating density.
Comp Plan	7.2.2	Allow and encourage the development of housing types that are affordable to low or moderate-income households, including middle housing types in low and medium density zones as well as larger apartment and condominium developments in high-density and mixed-use zones.
Comp Plan	7.4.1	Implement land use and public investment decisions and standards that: a) encourage creation of denser development in centers, neighborhood hubs and along corridors; and b) foster development of accessible community gathering places, commercial uses, and other amenities provide opportunities for people to socialize, shop, and recreate together.

<sup>6</sup> Note (for the density analysis by zone): ADUs were included in the single-dwelling housing type category.

<sup>7</sup> The HDR zone includes what was previously the R-3, R-2.5, R-2, R-1, and R-1B zones. Before this code change, the minimum and maximum densities were 11.6 and 14.5 du/acre for R-3 zones, 11.6 and 17.4 du/acre for R-2.5 and R2 zones, and 25 and 32 du/acre for R-1, and R-1B zones.



## E. Evaluate Incentives for Affordable Housing Development such as Density Bonuses.

### Rationale

Incentives can help support development of income-restricted housing. Providing more flexibility for development standards can allow for development of multi-unit more housing affordable at about 80% of MFI. The City could offer regulatory incentives, such as a density bonus, for multi-unit housing in locations where it is desired and/or encourage development of particular types of housing, such as mixed-use residential development or income-restricted affordable housing.

### Description

The City can evaluate changes to Milwaukee's zoning code to provide densities bonuses that would allow for more housing units to be built than allowed by zoning, if the proposed project provides a certain number of affordable units.

Examples of density bonus incentives for affordable housing include:

- Permitting a larger number of units in a building or development site.
- Permitting smaller minimum lot sizes in a development.
- Providing a bonus height allowance or exemption from height restrictions that allow for construction of additional stories.
- Reducing the amount of open space required on a development site.
- Reducing the required number of parking spaces.
- Setback reduction of the parent parcel.

### City Role

Evaluate incentives options for income restricted units and determine incentive parameters. Once determined, draft amendments to the land use ordinance and work with Milwaukee's Planning Commission and City Council to adopt the revised standards.

### City Policy

Plan Document	Policy Number	Policy
Comp Plan	7.1.3	Promote zoning and code requirements that remove or prevent potential barriers to home ownership and rental opportunities for people of all ages and abilities, including historically marginalized or vulnerable populations such as people of color, aging populations, and people with low incomes.
Comp Plan	7.2.2	Allow and encourage the development of housing types that are affordable to low or moderate-income households, including middle housing types in low and medium density zones as well as larger apartment and condominium developments in high-density and mixed-use zones.
Comp Plan	7.2.3	Pursue programs and incentives that reduce the impacts that development/design standards and fees have on housing affordability, including modifications to parking requirements, system development charges, and frontage improvements.
Comp Plan	7.2.5	Expand and leverage partnerships with non-profit housing developers and other affordable housing providers and agencies that preserve or provide new low to moderate income-housing units, create opportunities for first-time homeownership, and help vulnerable homeowners maintain and stay in their homes.
Comp Plan	8.3.5	Expand the use of incentives and other financial tools that serve to: a) Encourage development in Neighborhood Hubs. b) Improve housing affordability.

## F. Inclusionary Zoning

### Rationale

Inclusionary zoning policies tie development approval to, or provide regulatory incentives for, the provision of low- and moderate-income housing as part of a proposed development. Milwaukie has not implemented an inclusionary zoning ordinance for residential developments within the City Limits for proposed structures containing 20 units or more under the State's inclusionary zoning legislation.

### Description

Mandatory inclusionary zoning requires developers to provide a certain percentage of low-income housing. State law allows cities and counties to adopt inclusionary zoning programs under the following requirements:

- The affordable housing requirements can only apply to multifamily housing with 20 or more units.
- Adopted requirements cannot require more than 20 percent of units be affordable.
- Requirements must allow eligible developers to pay a fee-in-lieu of building affordable units on-site.
- The program must be paired with incentives (e.g., SDC or fee waivers/reductions, property tax exemptions, or other financial incentives)

This strategy is development driven and has the potential to curtail development overall, if developers look to other cities without these requirements. The price of low-income housing is passed on to purchasers of market-rate housing.

### City Role

Evaluate inclusionary zoning strategies and consider suitability for Milwaukie's development context. Draft amendments to the land use ordinance and work with Milwaukie's Planning Commission and City Council to adopt the revised standards.

## G. Develop Housing Options And Services To Address And Prevent Houselessness

### Rationale

To improve livelihoods by reducing the number of people experiencing houselessness in Milwaukie.

### Description

The city can partner with agencies and nonprofit organizations that provide housing and services to people experiencing houselessness. This could include: (1) working with partners to support development of an emergency shelter for people experiencing houselessness, (2) working with service providers who provide rapid re-housing services to exit houselessness, (3) work with nonprofit housing developers and service providers to develop an application to the State for funding for permanent supportive housing, and (4) work with partners to support transitional housing development. This strategy ties to the strategies to expand affordable rental housing and preserve affordable housing.

The City can work with partners, such as the housing authority or nonprofit developers, to support development of housing for households with very low incomes (or no incomes) that includes services

necessary to help a person transition from houselessness into housing. These types of housing include:

- Rapid re-housing is an approach to working with service providers to assist qualified households to quickly exit houselessness and regain stability. This may be best for people who need initial support transitioning back into housing but do not need long-term ongoing services.
- Permanent Supportive Housing works with nonprofit housing developers and service providers to provide housing and supportive services for people who need ongoing services over the long term.
- Transitional housing provides support for people who need intensive services on a shorter-term basis, such as people exiting corrections facilities or unaccompanied youth.

A city can support these types of housing by ensuring that they are allowed in the City’s zoning code and through facilitating the planning process. The City may also contribute funds, land, or other resources to support development of these housing types.

### City Role

Partner and support Clackamas County's affordable housing development and rehabilitation projects in Milwaukie

- Collaborate with community partners to provide a continuum of programs that address the needs of unhoused persons and families, including temporary shelters, alternative shelter models, long-term housing, and supportive services.
- Seek opportunities to leverage grants or programming to support additional resident services or supportive housing services
- Look to reduce barriers associated with siting and allowing transitional housing projects and services

### City Policy

Plan Document	Policy Number	Policy
MHAS	1.13	Partner and support Clackamas County's affordable housing development and rehabilitation projects in Milwaukie
MHAS	1.13.1	Attend the Clackamas County Housing and Houselessness Task force and advocate for Milwaukie needs
MHAS	1.13.2	Partner with Clackamas County on the rehabilitation of the Hillside Manor and the development of the master plan of the Hillside Manor
MHAS	1.13.3	Seek opportunities to leverage grants or programming to support additional resident services or supportive housing services
MHAS	2.4	Support and promote programs that provide financial assistance for seniors and low-income homeowners to remain in their homes
Comp Plan	7.1.8	Collaborate with community partners to provide a continuum of programs that address the needs of unhoused persons and families, including temporary shelters, alternative shelter models, long-term housing, and supportive services.
Comp Plan	7.1.9	Implement and support programs to reduce the displacement of renters.
Comp Plan	7.2.5	Expand and leverage partnerships with non-profit housing developers and other affordable housing providers and agencies that preserve or provide new low to moderate income-housing units, create opportunities for first-time homeownership, and help vulnerable homeowners maintain and stay in their homes.

Comp Plan	7.2.8	Implement development code provisions to permit shelters and transitional housing for people without housing.
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## H. Revolving loan fund for homeownership assistance

### Rationale

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.

### Description

Much of the housing in Milwaukie 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 because of a lack of resources to make improvements and pay for repairs (and, in some cases, owner neglect). In addition, need for a down payment is often a barrier to purchasing housing. The City could support homeownership for lower-income households in a range of ways:

- Down Payment Assistance. Typically for first time home buyers, generally with incomes below 80% of MFI. Typical assistance per household ranges from \$25,000-\$110,000.
- Home Repairs. For existing low-income homeowners to make major repairs on their home, such as fixing the roof, foundation, or other major repairs, generally for households with incomes below 80% of MFI. Typical assistance per household ranges from \$10,000-\$50,000.
- Weatherization. For existing low-income homeowners to make major repairs on their home, such as replacing windows, adding insulation, and other weatherization efforts, generally for households with incomes below 80% of MFI. Typical assistance per household ranges from \$10,000-\$25,000.
- Accessibility Improvements. For homeowners at or below 80% MFI, seniors, people with disabilities, to add accessibility features like ramps or widen doorways. Typical assistance per household ranges from \$7,000-\$10,000.

### City Role

Provide funds to be administered by a third party that support one or more of these programs, possibly funded through use of CET.

### City Policy

Plan Document	Policy Number	Policy
MHAS	2.7	Research and market low-cost loans to property owners for maintenance, weatherization, and seismic upgrades
MHAS	2.7.1	Support and promote rehab loans for multifamily buildings
MHAS	2.7.2	Partner with agencies to provide low-income renters with emergency housing grants; leverage any existing programs at the county, regional, or state level

MHAS	2.7.3	Develop and market a financial resource guide for tenants and property owners
MHAS	2.7.4	Consider developing a renter emergency fund. For households without a financial cushion, unexpected expenses can be the difference between staying in their homes or missing rent payments or sacrificing other important things, like childcare, food, and medicine
Comp Plan	7.2.7	Support the use of tiny homes as an affordable housing type, while addressing adequate maintenance of these and other housing types through the City's code enforcement program.

## Funding Sources

### I. Urban Renewal / Tax Increment Finance (TIF)

#### Rationale

Urban renewal provides a flexible funding tool that can support many of the key strategies identified in the Housing Production Strategy. Urban renewal funds can be used to support development of off-site infrastructure necessary to support new housing development, most likely in commercial areas. In addition, urban renewal funds could be used to support rehabilitation of existing housing in poor condition, possibly with future requirements that it remain affordable at an income level like 80% or less of MFI.

#### Description

Milwaukie has an Urban Renewal District for Tax Increment Financing District. Milwaukie's Urban Renewal District covers downtown and the city's Central Milwaukie area. The purpose of the District is to catalyze improvements to this area, by funding development of infrastructure, economic development, and housing development.

The primary purpose of the Urban Renewal District is supporting revitalization through infrastructure upgrades. Over the next five to eight years, the City expects to bond about \$4 million dollars to support infrastructure upgrades, such as road and streetscape improvements. These upgrades can support all types of development, including housing development.

Over the next five-year period, the City expects to have \$2 million in its Urban Renewal Fund to support housing development. Housing within the urban renewal district will primarily be mixed-use multi-unit housing, much of which is expected to be affordable at less than 120% MFI.

#### City Role

The City will need to decide how to use the funding. The best use of funding may be in coordination with other actions in the HPS, such as with land banking and support of development of income-restricted housing.

#### City Policy

Plan Document	Policy Number	Policy
Comp Plan	7.2.2	Allow and encourage the development of housing types that are affordable to low or moderate-income households, including middle housing types in low and medium density zones as well as larger apartment and condominium developments in high-density and mixed-use zones.

Comp Plan	7.2.3	Pursue programs and incentives that reduce the impacts that development/design standards and fees have on housing affordability, including modifications to parking requirements, system development charges, and frontage improvements.
Comp Plan	7.3.4	Promote the use of active transportation modes and transit to provide more reliable options for neighborhood residents and help reduce driving.
Comp Plan	7.3.5	Increase economic opportunities for locally owned and operated businesses by encouraging the development and redevelopment of more housing near transit, shopping, local businesses, parks, and schools.
Comp Plan	7.4.1	Implement land use and public investment decisions and standards that: a) encourage creation of denser development in centers, neighborhood hubs and along corridors; and b) foster development of accessible community gathering places, commercial uses, and other amenities provide opportunities for people to socialize, shop, and recreate together.
Comp Plan	7.4.2	Require that new development improves the quality and connectivity of active transportation modes by providing infrastructure and connections that make it easier and more direct for people to walk or bike to destinations such as parks, schools, commercial services, and neighborhood gathering places.
Comp Plan	8.3.5	Expand the use of incentives and other financial tools that serve to: a) Encourage development in Neighborhood Hubs. b) Improve housing affordability.

## J. Construction Excise Tax

### Rationale

Construction Excise Tax (CET) is one of few options to generate additional locally-controlled funding for affordable housing. A CET is intended to provide funding to support development of affordable housing. The funds from the CET are required by State law to be spent on developer incentives, supporting affordable housing programs, and homeownership programs.

### Description

Milwaukie collects a Construction Excise Tax. The CET revenue collected will be used to support income restricted housing development incentives, and for funding programs associated with economic development activities as designated by City Council. Staff are in the process of developing program details to align with criteria for the program that includes prioritized funding for projects that provide the most income restricted units, the depth of affordability (lower income preferences), longer guaranteed periods of affordability, financial feasibility, project readiness, transit oriented development, and service to underserved populations.

CET is a tax assessed on construction permits issued by local cities and counties. In Milwaukie, the tax is 1% of the permit value on residential, commercial, and industrial construction. The allowed uses for CET funding are defined by the state statute. The City may retain 4% of funds to cover administrative costs.

The net revenue for the residential CET is allocated as follows:

- 50% to fund incentives for the development and construction of affordable housing (e.g., fee and SDC waivers, tax abatements, etc.);
- 35% to fund programs and activities related to affordable housing; and
- 15% flows to Oregon Housing and Community Services for homeowner programs.

The net revenue from the tax on commercial improvements is allocated as follows:

- 50% to fund incentives for the development and construction of housing that is affordable at up to one hundred twenty percent (120%) of median family income; and
- 50% for economic development programs with an emphasis on areas of the City that are subject to plans designated as eligible by the City.

As of September 2022, the City had the following CET funds available:

- \$1.4 million for affordable housing at or below 80% MFI,
- \$600,000 for housing at or below 120% MFI, and
- \$600,000 for economic development programs.

The City may use CET funds to support other Actions in the HPS such as backfilling SDC reductions or a revolving loan fund for homeownership assistance, the City may put out a Request For Proposals for affordable housing or mixed-income developments

### City Role

The City should continue to decide on an annual basis how to use CET funding.

### City Policy

Plan Document	Policy Number	Policy
MHAS	1.1	Explore program(s) for affordable housing through the existing construction excise tax (CET)
MHAS	1.1.1	Create an oversight committee for the establishment of the CET programming and create criteria for distributing the funds
MHAS	1.1.2	Develop a workplan for the programming and establish criteria for distribution (keep in mind regional initiatives and leverage opportunities)
MHAS	1.1.3	Develop the marketing plan for the CET fund distribution
Comp Plan	7.2.2	Allow and encourage the development of housing types that are affordable to low or moderate-income households, including middle housing types in low and medium density zones as well as larger apartment and condominium developments in high-density and mixed-use zones.
Comp Plan	7.2.3	Pursue programs and incentives that reduce the impacts that development/design standards and fees have on housing affordability, including modifications to parking requirements, system development charges, and frontage improvements.
Comp Plan	7.3.5	Increase economic opportunities for locally owned and operated businesses by encouraging the development and redevelopment of more housing near transit, shopping, local businesses, parks, and schools.
Comp Plan	8.3.5	Expand the use of incentives and other financial tools that serve to: a) Encourage development in Neighborhood Hubs. b) Improve housing affordability.

## Preliminary evaluation of each action

The proposed evaluation criteria, summarized below fall into five categories: impact, income-level served, feasibility, administrative complexity, flexibility.

### Income Level Served

The HPS is intended to result in development and preservation of housing affordable at all income levels. We discuss affordability Median Family Income (MFI) that is defined by the U.S. Department of Housing and Urban Services (HUD) for the Portland-Vancouver-Hillsboro, OR-WA MSA for a family of four people.

A household of four people earning 100% of MFI (about \$96,900) could afford monthly housing costs of \$2,420. The income and affordable monthly costs vary by household size. For example, a household of one person with an income of 100% MFI has income of \$67,830 and can afford monthly housing costs of \$1,696. A household of six people at 100% of MFI has income of \$112,404 and can afford monthly housing costs of \$2,810.

We define income levels based on MFI for a household of four people, as follows:

Extremely Low and Low Income	Low Income	Middle Income	High Income
Extremely Low Income: Less than 30% MFI or \$29,100 or less for a household of four  Very-Low Income: 30% to 50% of MFI or \$29,100 to \$48,500 for a family of four	Low Income: 50% to 80% of MFI or \$48,500 to \$77,500 for a household of four	Middle Income: 80% to 120% of MFI or \$77,500 to \$116,300 for a household of four	High Income: 120% of MFI or more \$116,300 or more for a household of four
<i>39% of Milwaukie households</i>	<i>22% of Milwaukie households</i>	<i>21% of Milwaukie households</i>	<i>19% of Milwaukie households</i>
<i>Can afford \$1,210 or less in monthly housing costs.</i>	<i>Can afford \$1,210 to \$1,940 in monthly housing costs.</i>	<i>Can afford \$1,940 to \$2,910 in monthly housing costs.</i>	<i>Can afford \$2,910 or more in monthly housing costs.</i>



## Impact for Housing Development

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

Small	Moderate	Large
<p>Will not directly result in development of new housing or it may result in development of a small amount of new housing.</p> <p>May not improve housing affordability in and of itself.</p> <p>May be necessary but not sufficient to increase housing affordability.</p>	<p>Could directly result in development of new housing.</p> <p>May not improve housing affordability in and of itself.</p> <p>May be necessary but not sufficient to increase housing affordability.</p>	<p>Could directly result in development of new housing.</p> <p>May improve housing affordability in and of itself.</p> <p>May still need to work with other policies to increase housing affordability.</p>
<p><i>~1-3% of needed housing 17 to 50 new dwelling units<sup>8</sup></i></p>	<p><i>~3% to 5% of needed housing 50 to 84 new dwelling units</i></p>	<p><i>~5% to 10% (or more) of needed housing 84 to 167 new dwelling units</i></p>

## Administrative Complexity

Administrative complexity for implementation considers how much staff time and resources (financial or otherwise) are required to implement the action? Is it difficult or costly to administer once it is in place? For funding sources, the easier it is to administer the tax or fee, the more net revenue will be available for housing production or preservation. For other actions, this criterion assesses the costs to establish and maintain tool implementation. We define administrative complexity, as follows:

Low	Medium	High
<p>Requires some staff time to develop the action and requires some on-going staff time to implement the action.</p> <p>May require review by the Planning Commission. May require acceptance or adoption by City Council.</p> <p>Has relatively small funding or revenue impacts.</p>	<p>Requires more staff time to develop the action and requires more on-going staff time to implement the action.</p> <p>Will require review by the Planning Commission. Will require acceptance or adoption by City Council.</p> <p>Has relatively moderate funding or revenue impacts.</p>	<p>Requires significant staff time to develop the action and/or significant on-going staff time to implement the action.</p> <p>Will require review by the Planning Commission. Will require acceptance or adoption by City Council.</p> <p>Has relatively larger funding or revenue impacts.</p>

<sup>8</sup> Milwaukie’s Housing Capacity Analysis projects that the City will grow by 1,670 new dwelling units between 2023 and 2043.

## Feasibility

Feasibility assesses the acceptability of the action for stakeholders. It considers expected political acceptability for elected officials and the public at large likely to support or have concerns about the action. If the action is dependent on the action of another organizational entity, the action is likely to be less feasible than if the City controlled all aspects of tool implementation. We define feasibility, as follows:

More Feasible	Moderately Feasible	Less Feasible
Likely to have little resistance from stakeholder groups, the public at large, and/or elected officials.	Likely to have moderate resistance from stakeholder groups, the public at large, and/or elected officials.	Likely to have significant resistance from stakeholder groups, the public at large, and/or elected officials.
The action may require little or no coordination with another organizational entity to implement or use.	The action may require one-time or on-going coordination with another organizational entity to implement or use.	The action may require significant coordination with another organizational entity to implement or use in an on-going basis.

## Flexibility

Flexibility assesses whether the action can be flexibly used to achieve multiple outcomes? Does it have legal limitations or other barriers that limit its utility for achieving goals of supporting housing development, increasing housing stability or other HPS goals? This category considers limitations on the types of projects that can be implemented with a given action. Given development market cycles, a funding source especially may be less useful to the City if its use is limited to certain types of projects.

We define feasibility, as follows:

More Flexible	Moderately Flexibility	Less Flexible
The action can be used to achieve multiple outcomes, has few barriers on its use, or supports multiple goals in the HPS. It can be used in many situations.	The action can be used flexibly for multiple outcomes but there may be some barriers on its use. It can be used in somewhat specific situations.	The action can be used in specific situations, to achieve specific outcomes with little flexibility in its use.

Action Name	Level of Affordability Addressed			Impact for Development	Admin Complexity	Feasibility	Flexibility
	<50% MFI	50%-80% MFI	80%-120% MFI				
<b>Actions</b>							
A. Develop a Land Bank Strategy and Partnerships to Support Affordable Housing Development	X	X	X	Moderate to large	High	Moderate	More
B. Reduced SDCs or Planning Fees	X	X		Small	Low	Moderate	Moderate
C. Multiple-Unit Property Tax Exemption Program (Locally Enabled And Managed)	X	X		Moderate	Medium	Moderate	Moderate
D. Increase densities in the High-Density Residential (HDR) Zone	X	X	X	Small to Moderate	Low	More	Moderate
E. Evaluate Incentives for Affordable Housing Development such as Density Bonuses.	X	X		Small	Low	More	Moderate
F. Inclusionary zoning		X		Small to Moderate	High	Less	Moderate
G. Develop Housing Options And Services To Address And Prevent Houselessness	X			Moderate	Medium	Moderate to Less Depends on funding	More
H. Revolving loan fund for homeownership assistance	X	X		Small to Moderate	Medium	Moderate to Less Depends on funding	More
<b>Funding Sources</b>							
I. Urban Renewal / Tax Increment Finance (TIF)	X	X	X	Moderate	High	Less to Moderate	More
J. Construction Excise Tax	X	X	X	Moderate to large	Medium	Less to Moderate	More