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## MEMORANDUM

# Affordable Housing Plan Executive Summary

## Tigard Affordable Housing Plan

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TO Project Management Team

FROM Matt Hastie, Kate Rogers, Emma Porricolo, APG  
Brendan Buckley, Johnson Economics

CC Anne Debbaut, Oregon DLCD

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### A. Introduction

The purpose of the Tigard Affordable Housing Plan is to identify strategies and implementation actions needed to help increase the supply and affordability of housing within the City of Tigard. The plan builds on the City's previous plans, studies, efforts for affordable housing including new Community Development Code standards for missing middle housing types, the SW Corridor Equitable Housing Strategy, and the Tigard Triangle Equitable Urban Renewal Implementation Plan. The outcome of this project is the following set of recommendations and timeline for adoption of housing programs and policies to implement an Affordable Housing Plan.

### Key Findings

A number of key takeaways emerged during preparation of the Affordable Housing Plan (AHP), including:

- A project Task Force comprised of representatives from affordable housing organizations, community-based organizations, and community members provided guidance throughout the process of developing the AHP. The Task Force often noted that every penny helps, yet no single strategy alone will produce help produce regulated affordable housing. For most affordable housing organizations, layering of funding from various sources (federal, state, local, and private) is how projects become financially feasible and get built. Task Force members were most excited about strategies such as partnering with a community land trust, staff allocation to housing, and adoption of a construction excise tax.
- Adoption of funding sources is crucial in implementing all programs and policies recommended. They can provide a significant portion of funds for the strategies, especially those that require more funding for implementation and/or operation. In particular, adopting a CET will be essential to covering the cost of SDC exemptions, reductions or deferrals. Pursuing joint CDBG entitlement should also be further evaluated in the near term and implemented, pending results of that analysis.

- Partnerships are essential to the effectiveness and efficiency of the affordable housing strategies. The City should continue to develop and build relationships with other jurisdictions, taxing districts, developers, affordable housing organizations, and others. Partnering with a community land trust to help provide opportunities for affordable home ownership is another important near-term strategy.
- Several recommendations are considered “low hanging fruit” and are recommended to be implemented in the near-term with relatively minimal resources. They include addressing restrictive CC&Rs, updating the City’s existing Nonprofit Low-income Housing program, and creating a rental registration program.

## B. Recommended Affordable Housing Plan Strategies

A set of strategies for the AHP was identified, evaluated and ultimately recommended by City staff in consultation with the Project Management Team and an Affordable Housing Task Force. Recommended strategies are those that are best fit to the City of Tigard’s affordable housing needs, and ability to implement, recognizing staffing and financial capacity. Each strategy falls under one of three categories:

1. develop funding sources,
2. reduce barriers to development, or
3. develop or preserve affordable housing.

Initially strategies were evaluated based on four criteria:

1. **Administrative Investment** (staff time and resources required to establish and implement the tool),
2. **Feasibility** (legal, political, and practical considerations),
3. **Flexibility** (ability to support multiple goals or change over time as needs and market conditions evolve), and
4. **Impact** (revenue potential or degree of benefit to affordable housing production or preservation).

Many of the recommended strategies will require significant funding to implement. **The AHP recommends three primary funding sources be adopted in order to fund the implementation and administration of the recommended policies and programs.** An overview of recommended funding sources is found in Table 1. An overview of each strategy, included associated recommendations and priorities, are found in Table 2.

TABLE 1. OVERVIEW OF FUNDING SOURCES AND RECOMMENDATIONS

Funding Sources	Overview
<b>Construction Excise Tax</b>	<p><i>Purpose:</i> Establish permanent affordable housing funding source.</p> <p><i>City role:</i> Program lead</p> <p><i>Recommendation:</i> Adopt a 1% CET on both residential and commercial/industrial construction.</p> <p><i>Estimated revenue:</i> Potential revenue from 2009 – 2018, estimated approximately \$746,000 annual revenue for commercial and residential CET.</p> <p><b>Priority: High.</b> This strategy, once implemented, can generate funds to help pay for several other affordable housing strategies, such as reduced and exempt system development charges (SDCs), tax abatements, affordable housing development partnerships, and more.</p>
<b>Community Development Block Grant (CBDG) Program</b>	<p><i>Purpose:</i> Establish a dedicated, more flexible affordable housing funding source.</p> <p><i>City role:</i> Program lead</p> <p><i>Recommendation:</i> Pursue joint entitlement, in partnership with Washington County. This is consistent with the recommendation made by City of Tigard Community Development staff in a memorandum dated March 27, 2019.</p> <p><i>Estimated revenue:</i> Washington County staff estimate that the city could have approximately \$130,000 per year available to support programs and projects under a joint entitlement program. This amount can be rolled into a biennial amount of \$260,000.</p> <p><b>Priority: High.</b> The lower administrative burden, combined with continued County support and collaboration, make this a logical step in expanding dedicated federal funding and flexibility for the City’s housing program. This strategy, once implemented, can generate funds to provide a funding source for several other affordable housing strategies, such as down-payment assistance, staff allocation to housing programs, land acquisition, and more. In addition, use of funding will be relatively flexible in comparison to revenues directed to projects in Tigard which are generated by the CDBG program today. The City could potentially pursue full entitlement at a later time, after some years of experience with joint entitlement.</p>
<b>Tax Increment Financing (TIF) Set-Aside</b>	<p><i>Purpose:</i> Dedicate additional funding to housing programs.</p> <p><i>City role:</i> Program lead</p> <p><i>Recommendation:</i> Create a TIF set-aside for affordable housing development and programs in both the Tigard Triangle and City Center Urban Renewal Areas (URA). Potential recommended set-aside amounts range from 5% to 15% annually for both URAs.</p> <p><i>Estimated revenue:</i> In 2020 annual revenue for both URAs is expected to be approximately \$900,000, which would yield approximately \$45,000 to \$135,000 (based on recommended percentage of annual budget) in TIF set-aside for that year.</p> <p><b>Priority: Medium.</b> This strategy can provide a source of funding to other affordable housing strategies. However, the usage of funds is limited to the URA areas. The difference in maturity and revenue potential between the two URAs is a primary consideration for both URAs. The target for both URAs could be to begin setting aside funds for affordable housing projects as a medium-term action, over the next 5 years or so.</p>

TABLE 2. OVERVIEW OF STRATEGIES THAT REMOVE DEVELOPMENT BARRIERS, OR HELP DEVELOP OR PRESERVE AFFORDABLE HOUSING

Strategy	Purpose	Recommendation	Priority	Cost	Funding Sources <sup>1</sup>	Notes
<b>1. Addressing Restrictive Covenants, Conditions, and Restrictions (CC&amp;Rs)</b>	Reduce restrictions on properties	Pending the adoption of HB 2001, adopt policies in the Tigard Municipal Code that prohibit a private contract from including provisions that restrict middle housing.	High	\$	The City may be able to use existing staff resources and programs to generate and implement policy that limits restrictive CC&Rs. If consultants are needed, the costs could be accommodated within the department's annual budgeting process.	This strategy is 'low hanging fruit.' It requires low administrative investment to implement and administer yet can significantly reduce barriers to providing needed or desired forms of housing.
<b>2. Community Land Trusts</b>	Reduce land costs and develop long-term affordable housing	Partner with an existing local CLT organization to expand their capacity to provide affordable homeownership in Tigard through various programs. A down payment assistance program is most likely and appropriate in the near-or medium-term. Development/rehabilitation grants or low-interest loans for rehabilitation or acquisition, donation of City-owned land to a CLT, and an annual funding set-aside may be feasible in the long-term.	High	\$\$\$	CET, CBDG, General Fund	The partnership can have a significant impact on development of affordable housing, but first will require affordable housing funding sources be secured for implementation.
<b>3. City Support for Resident Services and Supportive Housing Services</b>	Stabilize existing housing and reduce displacement	In the near-term, advocate for supportive housing services to be incorporated into the 2020 public safety levy. In the medium- or long-term, dedicate City funding to supporting non-profits in providing resident services.	High	\$\$	CET, CBDG, potential public safety local option levy, General Fund, TIF	Gaps in resident services and supportive housing funding exists, this strategy can subsidize the services to address the gaps.
<b>4. Tenant and Homeowner Protections</b>	Stabilize existing housing and reduce displacement	A. Develop rental registration and inspection program.	High	\$	CET flexible funds, partnerships with nonprofit organizations and other public agencies	Registration program is relatively simple to implement and administer. A inspection program could be implemented after the registration program is operating. Tenant policies reform can have some political hurdles but are an important component of tenant protections, especially in the SW Corridor area.
		B. Adopt tenant application reform policies.	Medium	\$		
<b>5. Preservation of Low Cost Market Rate (LCMR) Housing</b>	Protect affordable housing units and reduce displacement	A. Promote the use of the City's Nonprofit Low-income Housing program for use in acquisition and rehabilitation projects	High	\$	Different LCMR preservation programs and projects can have different funding sources. They are the following <ul style="list-style-type: none"> <li>Individual projects: General fund revenue and TIF funds</li> <li>Housing Preservation Fund: CET, CBDG and TIF</li> <li>Partner with funders: Community Housing Fund, Network for Oregon Affordable Housing, Oregon Housing Acquisition Fund</li> </ul>	Promoting the City's Nonprofit Low-income housing program is a low cost strategy and relatively easy to implement. Acquisition and conversion of affordable housing in partnership with Washington County would require significant funding and administration. The other strategies also require significant funding strategies.
		B. Develop a low-interest loan program for rehabilitation of LCMR in exchange for regulating rents to preserve affordability.	Medium	\$\$		
		C. Explore the option of a Housing Preservation Fund (HPF).	Medium	\$\$\$		
		D. Adopt a tax freeze for residential rehabilitation and apply controls for rental rates during the period of the abatement.	Medium	\$		
		E. Discuss with Washington County the potential for partnerships in acquiring LCMR housing and converting to regulated affordable housing	Low	\$\$		
<b>6. Incentive Zoning</b>	Increase development flexibility / reduce housing costs	A. Develop code amendments to allow relief from mixed use requirements. Allow multifamily projects that are 100% affordable to avoid building commercial uses on the ground floor.	High	\$	The City may be able to use existing staff resources. If consultants are needed, the costs will be relatively low and can likely be accommodated within the departments' annual budgeting process.	Tigard's Affordable Housing Task Force suggested implementing reducing parking requirements and mixed-use relief as higher priorities for implementation than density bonus amendments. However, it may be most efficient to package all three incentives for the code amendment adoptions process.
		B. Develop code amendments to allow density bonus. Allow the number of units on a development site to be increased by 1 unit for each affordable housing unit provided, up to an appropriate maximum that should be determined by the City.	Medium	\$		
		C. Develop code amendments to allow reduced parking requirements. Allow affordable housing developments near high-frequency transit service to reduce requirements to 0.75 spaces per unit and a reduction of 0.25 spaces per unit for affordable developments in all other areas.	Medium	\$		

Strategy	Purpose	Recommendation	Priority	Cost	Funding Sources <sup>1</sup>	Notes
<b>7. Staff Allocation to Housing Program</b>	Increase administrative capacity to implement housing strategies	Develop a long-term roadmap for developing staff capacity for housing work.	Medium	\$\$	Individual CBDG entitlement, CET, General fund revenue	Staffing levels for the City's housing programs should be commensurate with the City's growth, the rising need for housing, and the additional work required to meet the need. The long-term plan should also account for additional funding sources that could contribute to funding additional City staff.
<b>8. Tax Abatements</b>	Reduce development costs	A. Update the City's existing Nonprofit Low-income Housing program to terminate the tax exemption if the eligibility criteria are no longer met and to apply it to land held for development of affordable housing.	Medium	\$	Tax abatement programs do not require new direct investments, as they rely on foregone tax revenue from the general fund, but the City could use funding sources, such as a CET, to replace the lost revenue.	These programs will only apply to select properties, but will have significant impacts on the properties that are eligible for exemptions.
		B. Same as recommendation as 5.D (above). Adopt a tax freeze for residential rehabilitation and apply controls for rental rates during the period of the abatement	Medium	\$		
<b>9. Reduced or Exempted SDCs</b>	Reduce development costs	A. Offer deferral and financing of SDCs at a low interest rate desired housing types.	Medium	\$	Forgone SDC revenue can be backfilled from CET and TIF revenue	This is a common affordable housing strategy that can have a significant impact on development costs but at a significant cost to the City with forgone revenue. An update of SDC methodology could be revenue-neutral, but has a complicated implementation process.
		B. Participate in a regional process with other Washington County service providers to lower non-City SDCs.	Medium	\$		
		C. Update the City's SDC methodology to tie fees to dwelling size.	Low	\$\$		
<b>10. Land Banking &amp; Acquisition</b>	Reduce land costs	Take steps to be prepared for acquisition if properties are presented, but avoid developing an extensive program until funding and staff resources are adequate to pursue.	Low	\$\$\$	CET and TIF funds	Availability of land for the city to acquire is limited. Given the amount of funding and administrative investment needed to develop a program and acquire property, this is identified as a low priority until such time as the City has adopted and acquired significant funding sources and expanded staff capacity.
<b>11. Inclusionary Zoning</b>	Promote construction of new affordable housing units	Not recommended in the near- or medium-term. If state provisions for administering IZ programs were revised to remove some of the barriers to implementation discussed above, future implementation in Tigard may be more feasible.	Low	\$\$	N/A	Tigard should track the progress of Portland's IZ program, and any other Metro-area cities that adopt IZ, to assess feasibility for local adoption in the future.

<sup>1</sup> TIF funds as a funding source limits the use of funds to the City's the two Urban Renewal Areas (URAs).

## Recommendations Process

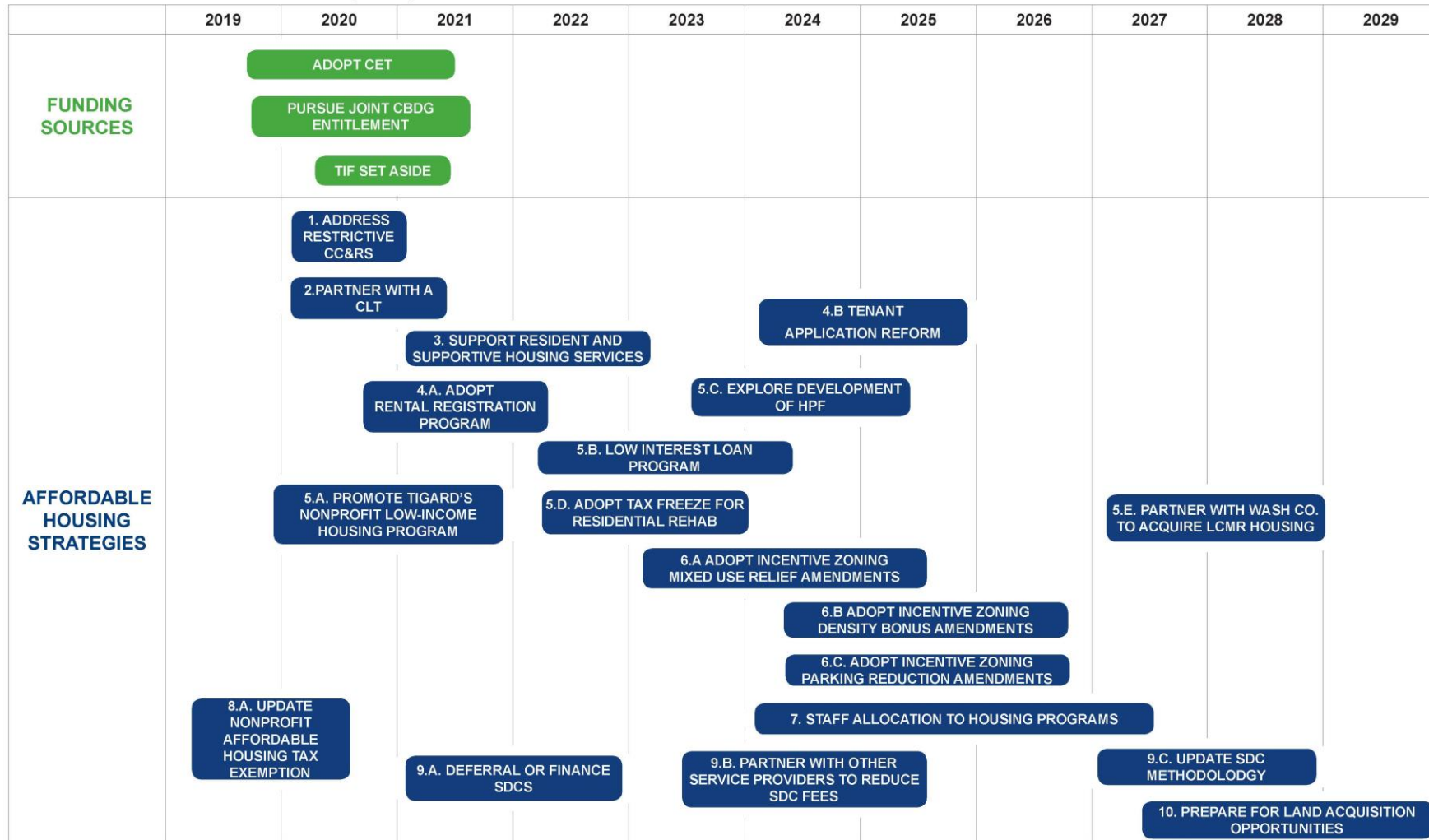
The process for developing the AHP included the following steps:

1. **Develop a starting list of strategies** – City staff provided an initial list of strategies to consider for the Affordable Housing Plan. The consultant team also suggested a few additional strategies for the City to evaluate.
2. **Provide background information on potential tools and strategies** – The consultant team researched the initial list of strategies and generated a Background Report that provided general information for each strategy, including a description, legal basis, usage in Tigard and other cities, opportunities and constraints, options and alternatives, and general implementation needs. Based on City staff’s review of the Background Report, the list of potential strategies was refined. A few additional strategies were added to the list, and several were determined not to be feasible or appropriate for Tigard at this time.
3. **Evaluate the potential tools** – In initial drafts of the AHP, the consultant team evaluated the refined list of strategies based on the following criteria: Administrative Investment, Feasibility, Flexibility, and Impact.
4. **Review and discuss with the Affordable Housing Task Force** – The consultants and staff discussed the potential housing strategies with an advisory task force consisting of nonprofit housing developers, housing finance experts, housing advocates, and Tigard residents. The Task Force helped further refine the strategies that are recommended in the AHP.
5. **Revise AHP and recommendations** – Based on discussions with staff and the Affordable Housing Task Force, the consultant team revised the initial drafts of the AHP and provided revised recommendations and implementation measures. After additional staff and Task Force review, the consultant team has provided final recommendations, proposed implementation steps, and priorities for each strategy.

## F. Implementation Timeline

Figure 1 provides a suggested timeline for implementation of all strategies summarized in Table 1 and 2 over a ten-year period from 2019 to 2029. The bands in the figure represent a recommended range of start times for each initiative, and do not represent timespans for completion or endpoints for strategies. Some strategies will take several years to implement. Therefore, several strategies are proposed to be implemented concurrently.

**CITY OF TIGARD  
AFFORDABLE HOUSING PLAN (AHP) STRATEGIES IMPLEMENTATION PLAN**



For complete descriptions of recommendations see Table 1 and 2 of the AHP Executive Summary.