



**City of Corvallis
Housing Development Task Force
Recommendations:**

***Tools and Policies to Expand Housing
Development in Corvallis (2016)***

**Presented to and Accepted by the
City Council on October 17, 2016**

Corvallis Housing Development Task Force

Final Task Force Recommendations – October 17, 2016

NEAR-TERM RECOMMENDATIONS FOR IMPLEMENTATION IN FY 16-17 & 17-18:

Concept 1: Implement Inclusionary Zoning and a Construction Excise Tax

Task Force Recommendations:

1. The HDTF recommends that the City Council direct staff to bring forward an ordinance to establish a CET with the following characteristics:
 - a. A CET for residential construction to be set at 1% of valuation as required by SB 1533.
 - b. A CET for commercial and industrial construction to be set at 1.5% of valuation.
 - c. 4% of CET revenues will be allocated to the costs of collecting and administering the CET.
 - d. After the 4% allocation, 15% of the CET collected for residential development will be transferred to the Oregon Housing and Community Services Department as required by SB 1533.
 - e. After the 4% allocation, 50% of the CET collected for residential development will be allocated for use as financial incentives for a voluntary inclusionary housing program.
 - f. After the 4% allocation, 35% of the CET collected for residential development will be allocated for use to provide affordable housing incentives, including those provided under a voluntary inclusionary housing program, and to affordable housing planning and program administration.
 - g. After the 4% allocation, 100% of the CET collected for commercial and industrial development will be allocated to affordable housing incentives, including those provided under a voluntary inclusionary housing program, and to affordable housing planning and program administration.
 - h. Exemptions: all as required under SB 1533, and in addition, new residential or commercial development receiving assistance through the City's HOME Investment Partnerships and Community Development Block Grant programs, and residential improvements valued at less than \$25,000.
 - i. Hold a public hearing prior to adopting an ordinance to implement a Construction Excise Tax.
2. The HDTF also recommends that the City Council direct staff to develop an inclusionary zoning program with the following characteristics:
 - a. The development of affordable units should be voluntary rather than mandatory.
 - b. Set affordability for assisted development at 80% of Area Median Income (AMI) or below for home ownership projects, and at 60% AMI or below for rental projects.
 - c. Establish a minimum period of affordability at 60 years for rental projects and 20 years for home ownership projects.
 - d. Utilize CET resources to provide financial incentives under the voluntary IZ program.
 - e. Require that rental units be maintained to the U.S. Department of Housing and Urban Development's Housing Quality Standards.
 - f. Consider providing incentives for other specific development types, i.e., Accessory Dwelling Units (Concept 2 below).

Concept 2: Loosen Accessory Dwelling Unit development restrictions.

Task Force Recommendations:

1. Recognizing that Accessory Dwelling Units (ADUs) provide opportunities to increase density with relatively low impact, may offer affordable housing options, and may discourage demolition of existing single family homes, the HDTF recommends that the City Council approve the provision of financial incentives for the development of Accessory Dwelling Units (ADUs). Incentives would include:
 - a. Temporarily waive SDCs for the development of ADUs that are guaranteed to be affordable and to be rented to households with a specified low income level as described in recommendation 2 in Concept 3 below.
 - b. Temporarily offer a low interest or interest-free SDC payment deferral option, with full payment due to the SDC funds within ten years, to developers of ADUs who do not intend to guarantee affordable rents.
2. Amend the Land Development Code Section 4.9.40 to remove the requirement that a property's owner must occupy either the primary residence on a lot with an ADU, or the ADU.
3. Amend the Land Development Code to allow for the creation of more than one ADU on a single lot.
4. Evaluate the impacts of these ADU incentives annually, and consider altering or eliminating them based on the productivity level achieved and/or on unanticipated community impacts.

Concept 3: System Development Charge waivers, offsets, reductions; changes in calculation methodology to scale SDCs to the size of the home being constructed.

Task Force Recommendations:

1. The HDTF recommends that when the City next undertakes full reviews of its SDC calculation methodologies, alternative approaches that provide incentives for small/affordable unit construction, or that allow for waivers of SDCs without negatively impacting the SDC funds, should be considered.
2. Until the full SDC calculation methodology reviews are completed, but for a period of no longer than four years, the HDTF recommends that the City provide SDC waivers for affordable rental housing projects that meet the following requirements:
 - a. Set affordability requirements for assisted development at 60% AMI or below.
 - b. Establish a minimum period of affordability at 60 years.
 - c. Require that rental units be maintained to the U.S. Department of Housing and Urban Development's Housing Quality Standards.
 - d. Require that waived SDCs be repaid in full if the affordability requirements are not met through the entire 60-year period of affordability.
 - e. Align the percentage of SDCs waived with the percentage of affordable units constructed.
3. Until the full SDC calculation methodology reviews are completed, but for a period of no longer than four years, the HDTF recommends that the City provide SDC waivers for affordable homeowner unit construction that meets the following requirements:
 - a. Set affordability requirements for assisted development at 80% AMI or below.
 - b. Establish a minimum period of affordability at 20 years.
 - c. If the home is sold within the period of affordability, require repayment of the waived SDC amount unless the purchasing household is also at 80% AMI or below.

Concept 4: Accept donations of property and/or money to be dedicated to affordable housing activities; create a partnership of affordable housing organizations to oversee the use of the donated resources.

Task Force Recommendation:

1. The HDTF recommends that the City act as a convener of meetings of public and private affordable housing interests, financial planners and foundation representatives to consider and form a non-profit entity to receive and distribute donations of land and money earmarked for affordable housing.

Concept 5: Provide and better integrate housing planning with the City's land use planning program in order to more aggressively and effectively address the restricted supply of affordable and workforce housing.

Task Force Recommendations:

1. The HDTF recommends City Council approval of the expansion of Community Development staff capacity for affordable housing planning and for investigation and development of the policy concepts outlined below that are proposed for consideration in FY 17-18 and beyond. This expansion would be achieved through the addition of a staff position dedicated to affordable housing and program development work.
2. Fund the expanded staff capacity in the Community Development Department's Housing and Neighborhood Services Division and/or the CD Planning Division.
3. Dedicate a portion of the revenues from the Construction Excise Tax to cover the costs of the expanded planning and program development capacity.

MEDIUM TERM CONCEPTS FOR FUTURE INVESTIGATION (CONSIDER IN FY 18-19 & FY 19-20)

Concept M1: Implement property tax incentive programs.

Under existing state law there are several property tax exemption programs that cities may put in place to provide incentives for the development of specific housing types. More research to understand program flexibility, limitations and impacts of each option is needed. The concepts are presented in the order of priority selected by the HDTF.

- The Low Income Rental Housing Property Tax Exemption (LIRPTE) Program provides up to a 20 year exemption for low income rental properties constructed after February 12, 1990, or rental properties owned by 501c(3) non-profits. This tool could be used to demonstrate local support for projects being submitted to the state for Low Income Housing Tax Credits and other assistance allocated by the Oregon Housing and Community Services Department.
- The Vertical Housing Tax Credit Program offers a 10-year property tax exemption on a new mixed use structure, or the incremental change in the after-rehabilitation property value of the building that comprises a mixed use project. The program grants a tax exemption of 20% for each floor of housing that is incorporated above ground floor commercial, with a maximum tax exemption of 80% for any single project. The program is restricted to an identified zone or zones; it is not necessarily restricted to providing low income affordable housing.

- The Multi-unit Property Tax Exemption (MUPTE) Program offers a property tax exemption on a new structure or the incremental change in the after-rehabilitation property value of a building that comprises the project for a maximum of 10 years. The program is not necessarily restricted to providing low income affordable housing. If allowed under state law, perhaps exempt new affordable construction in a specific area, but exempt reinvestment in affordable multi-unit properties City-wide.

Concept M2: Implement City-sponsored/initiated annexations (on hold subject to future litigation/legislation related to voter-approved annexations).

Developers have shared their experiences and perceptions about the City's annexation process with the Task Force and with ECONorthwest as they prepared the 2014 Housing Policy Options Report. These experiences and perceptions suggest that annexations in Corvallis carry a higher level of developer risk than is encountered in other communities. That risk is driven primarily by three factors: the cost to prepare annexation and related land use applications; the length of time required to move completely through the land use approval process; and the uncertainty of outcomes as applications move through the Planning Commission, the City Council and finally, through a general election to receive voter approval. Under this concept, the City would provide direct assistance and expertise to a project going through an annexation application process when it would result in affordable or otherwise needed/desirable housing.

Concept M3: Utilize development agreements to be applied in conjunction with other options, e.g., City-sponsored annexations or urban renewal for infrastructure.

For this discussion development agreements are documents that codify commitments the City would make to a developer in conjunction with providing some form of project assistance, and that a developer would make to the City in return for receiving that assistance. In practice the City uses agreements of this type when providing Community Development Block Grant or HOME Investment Partnerships Program funding to a project in order to guarantee housing affordability for a specific period of time. As discussed above (City-sponsored annexations) and below (urban renewal, land banking, community land trusts), a development agreement would be the tool used to ensure that the City's goals are realized when providing some form of development assistance.

Concept M4: Redesignate/rezone land for housing.

This concept would utilize the City's Buildable Lands Inventory (BLI) and associated Housing Needs Analysis (HNA) to determine whether Corvallis has enough land, appropriately zoned, to allow for housing development at or above the level required to meet a 20-year planning horizon. The consultant contract for the BLI contains alternate work items that would allow the City to identify areas within the City Limits and Urban Growth Boundary that would be relatively easy/less expensive to develop; this work may identify areas that could/should be rezoned, or that could present opportunities to apply other concepts outlined in this discussion (City-sponsored annexations, urban renewal, parcel assembly, etc.).

Concept M5: Examine mixed use zones that allow residential development to determine why so little interest has been shown in that type of development.

The City has three mixed use zones in which residential development is an allowed use: Mixed Use Community Shopping, Mixed Use Employment and Mixed Use Transitional. To date there has been no residential development in these zones, the first two of which were created with adoption of the 2000 Land Development Code and the last of which was adopted in 2006. As discussed above relative to cottage/clustered housing, if housing development is desired but not occurring in these zones the City should determine whether it has created barriers, and if so, evaluate how to remove them and the impacts of doing so.

Concept M6: Urban renewal to pay for infrastructure extension to highly developable/redevelopable areas, or to be used in other eligible ways to support the creation of housing.

Description: Urban renewal and tax increment financing (TIF) can be effective both to revitalize an area of the community, and to leverage the development of affordable housing. When a city defines an urban renewal district boundary, the county assessor freezes the assessed value of real property within the district. Urban renewal districts raise money by borrowing against future growth in property taxes within the district. The city uses the borrowed money to pay for capital improvements, which spur more development. As the city and others invest in the urban renewal area, property values go up. The property taxes above those that were collected when the values were frozen – the tax increment – are used to repay the loans used for the improvements in the urban renewal area. When the urban renewal district expires in 20-25 years, the intent is to return a much higher property tax base to the tax rolls. In Portland, TIF includes a funding set aside of 30% to be used for the creation or rehabilitation of affordable housing.

Concept M7: Encourage cottage/clustered housing.

Land Development Code amendments in 2012 provided an avenue for the development of clustered, or “cottage style” housing development by allowing multiple single family structures on one lot in RS-5, RS-6 and RS-9 zones. This development type typically offers very small single family units clustered around a common area with parking and streets at the exterior of the site. To date no such development projects have been undertaken in Corvallis. Examples of this development type can be found around the country with a few in Oregon and several in Washington.

Concept M8: Review allowable densities and create density bonuses for affordable housing, small homes, and housing in certain locations (transit corridors, major neighborhood centers, adjacent to parks).

Density bonus provisions typically allow for housing development at a density higher than allowed by underlying zoning if some or all of the resulting housing meets a community goal, typically affordable or workforce housing. In some communities, density bonuses have been tied geographically to areas where additional density may be desirable, such as along transit corridors, in major neighborhood centers or adjacent to parks.

Concept M9: Reduce parking requirements for low income or special needs housing.

This concept could be used to encourage/incentivize certain types of housing development where there is a presumption that occupant vehicle ownership will be at a lower rate than in other types of housing development.

LONGER-TERM CONCEPTS FOR FUTURE INVESTIGATION (FY 19-20 AND BEYOND)

Concept L1: Parcel assembly/land banking, which could include banking of developed properties for rehabilitation and/or resale.

Under this concept the City, a City-formed non-profit or a sponsored entity would strategically acquire parcels or accept donations of funding or undeveloped land to be used for future development of desired housing, or to be leveraged through strategic sales to acquire developable property. Also under this concept, developed properties could be acquired to be held and if needed, rehabilitated for resale as home ownership units. Assembly of parcels would provide opportunities for developments of significant size. Because repayment of the purchase price may not be required, or may be discounted, this concept could yield housing that is affordable to very low income residents.

Concept L2: Facilitate and support community land trusts as an affordable housing tool.

Community land trusts are tools used to create affordable housing by separating the cost and value of land from the cost and value of improvements built on that land. This tool has been used in Corvallis by Willamette Neighborhood Housing Services (WNHS) in their Seavey Meadows home ownership project: six homes were built on land WNHS acquired from the City; as homes were completed the value of the improvements was established, and became the selling price for low income buyers. WNHS continues to own the land and leases it to the home owners, using the lease revenues to pay the land portion of the property taxes. The owners pay taxes only on the value of the improvements. Removing the land value from the home sale prices allowed WNHS to sell homes for \$40,000 to \$50,000 less than they otherwise could have. Current owners may resell their homes, but sale prices are limited and homes must be sold to low income purchasers.

Concept L3: Small/tiny homes for homeless transitional housing.

When used for transitional housing, tiny homes are typically very small living structures built on wheels or piers rather than being placed on permanent foundations. They have been used in Portland, Eugene and elsewhere in various forms and groupings to create village settings ranging from a few to several homes with shared cooking and bathroom facilities.

Corvallis Housing Development Task Force

Final Task Force Recommendations – October 17, 2016 – Exhibit 1

CONCEPTS IDENTIFIED BY THE TASK FORCE BUT NOT REVIEWED/EVALUATED

The housing policy concepts that follow were mentioned but discussed only briefly during the 2015-2016 meetings of the City Council-appointed Housing Development Task Force. At the request of the Council, these items are being attached to the more specific recommendations for consideration in the future as opportunities arise.

1. The City Council should take action to increase the supply of developable residential land inside the City limits.
2. Work proactively with Oregon State University on plans, policies and practices related to on-campus student housing, including making close-in OSU lands available for the private development of student-faculty-staff housing.
3. Consider initiatives to incentivize off-campus student-oriented housing at specified locations.
4. Simplify and clean up the housing-related elements of the Land Development Code; allow staff to play a more direct role in the initiation of such changes.
5. Develop strategies to incentivize the development of homes affordable to the “missing middle” (between 80% and 120% of the Area Median Income, or “AMI”), without competing for the financial resources being provided to incentivize the development of housing for those with low incomes (below 80% of AMI).
6. Develop strategies to improve transitional housing options for non-homeless populations, e.g., people with disabilities, ex-offenders, people leaving alcohol and drug treatment programs, etc.