

Albany Housing Implementation Plan

Housing Affordability Task Force
Meeting #4
September 22, 2022



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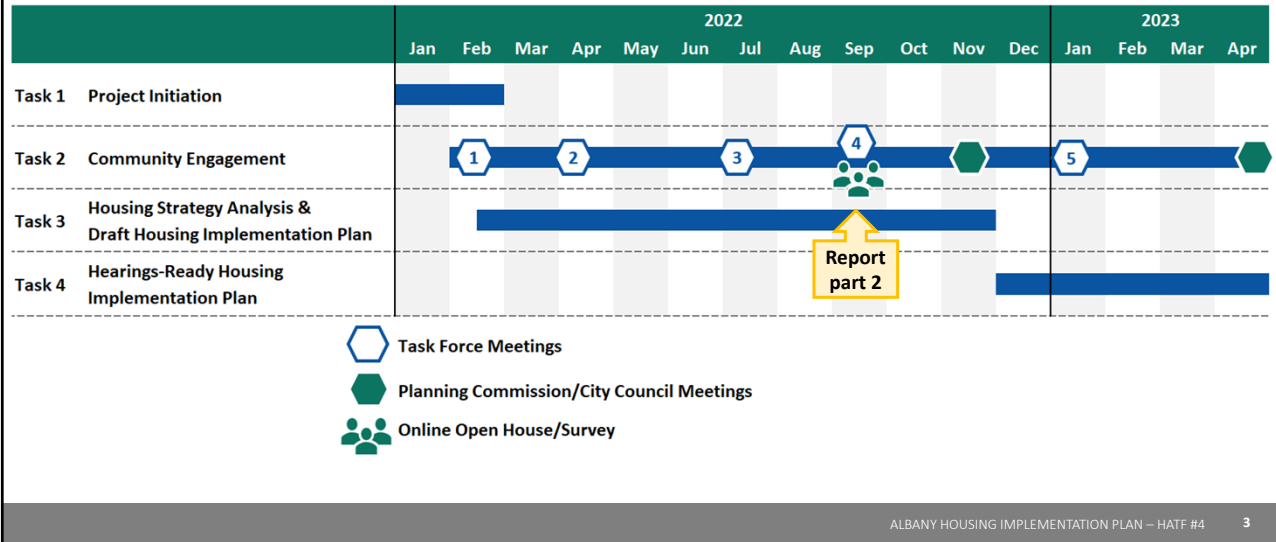
Agenda



1. Welcome [11:00 – 11:10]
2. Review Background Report, Part 2 [11:10 – 12:45]
(Incentives, Funding Sources, Programs & Partnerships)
 - a. Provide brief overview of draft strategies.
 - b. Focus on higher-priority strategies and key questions for the HATF.
 - c. Pause periodically for HATF discussion and questions.
3. Public Comment [12:45 – 12:55]
4. Wrap Up and Next Steps [12:55 – 1:00]

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Project Status Update



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Potential Housing Strategies



Part 1 – Strategies in the following two categories:

(July Meeting)

1. Development Code / Regulatory Strategies
2. Policy and Land Supply Strategies

Part 2 – Strategies in the remaining three categories:

(Today's Meeting)

3. Financial and Regulatory Incentives
4. Funding Sources
5. Programs and Partnerships

Initial Priority Key

High



Medium



Low



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Financial and Regulatory Incentives

- 3.1 Pre-Approved Plan Sets for Middle Housing Types and/or ADUs
- 3.2 Tax Abatements
- 3.3 System Development Charge (SDC) Deferrals, Exemptions or Reductions
- 3.4 Expedited Permitting for Affordable/Needed Housing

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3.1 Pre-Approved Plan Sets for Middle Housing Types and/or ADUs

Initial Priority:



Intent: Reduce housing development costs and lower barriers to middle housing/ADU development by adopting pre-approved building plan sets

Pros:

- May attract single-family developers to get into middle housing development
- Might encourage more homeowners to build an ADU

Cons:

- Could be a costly program for the City to develop ^{RM0}
- Pre-approved middle housing plans could promote repetitive design (although that's already difficult to avoid) ^{CA1}
- Any changes to the plans would require a standard permit



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Slide 6

RM0 I don't know that we need to add this, but just something for everyone on the team to keep in mind. We have seen with the use of "Master Permits", builders will want to make changes to the plans. They must understand pre-approved plans are "as-is". Any modification to the plan would require a standard permit and review process.

Ruettgers, Matthew, 2022-09-08T17:03:41.453

CA1 As noted in the narrative, some cities provide plans online for free. To get fresh new from local architect might be a little costly...

Catlin, Anne, 2022-09-08T19:35:32.609

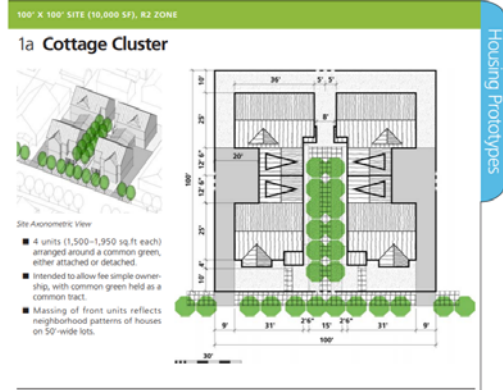
3.1 Pre-Approved Plan Sets for Middle Housing Types and/or ADUs

Initial Priority:

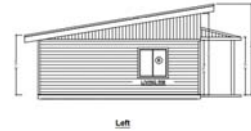


Portland Example: Middle Housing Prototypes (site layout only)

CA0



Eugene Example: Pre-approved ADU plans



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3.1 Pre-Approved Plan Sets for Middle Housing Types and/or ADUs

Initial Priority:



Discussion:

1. Which housing type(s) should the City target with this strategy (if any)?
2. Do you think it should remain a low-medium priority strategy?

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Slide 7

CAO Do the prototypes come with the house designs? I think it's just layout, right?

Catlin, Anne, 2022-09-08T19:37:01.877

KRO 0 Yes, just layout. I don't know of any true pre-approved middle housing plans. I added a note to clarify.

Kate Rogers, 2022-09-09T13:19:57.535

3.2 Tax Abatements

Initial Priority:



Intent: Reduce property taxes for certain housing types to reduce development costs

Pros:

- Reduces ongoing operating costs for affordable/needed housing projects
- Can be a powerful incentive to increase the feasibility of housing development – especially low-income housing
- May encouraging some market-rate projects to include affordable units in downtown and mixed-use districts

Cons:

- The City and any participating taxing districts will lose property tax income, reducing revenue for city services for the exemption period (2 programs sunset after 10 years)



3.2 Tax Abatements – Options

Initial Priority:



Low-Income Rental Housing (ORS 307.515 – 307.537)

- Tax exemptions for any entity that provides regulated affordable housing.
- Albany allows non-profit developers to apply for an annual tax exemption (ORS 307.540-548). This tax abatement option would extend exemptions to new construction and for-profit developers.
- Exemption lasts for 20 years.

KRO

Vertical Housing Development Zone (ORS 307.841 – 307.867)

- Partial tax exemption of 20% per floor for developments within a designated area.
- City chooses the geography.
- Larger exemption provided if low-income units are included.
- Emphasis on redevelopment of vacant or underutilized sites.
- May encourage development downtown and in future mixed-use areas.
- Exemption lasts for 10 years.

Transit-Supportive Multi-Unit Development (ORS 307.600 – 307.637)

- Abatement for multi-unit housing in city-designated corridors and centers that support transit.
- City can structure the program and define affordability requirements.
- May encourage development downtown and in future mixed-use areas.
- Exemption up to 10 years.

Slide 10

KRO Anne--Is this correct, as far as you know?

Kate Rogers, 2022-09-07T19:37:20.605

KRO 0 I looked at the statute again. The exemption lasts for 20 years.

Kate Rogers, 2022-09-08T22:48:43.025

GU0 1 Yes that is correct for 307.515

Guest User, 2022-09-09T18:30:11.431

CA1 Albany does not have this specific tax abatement. Albany had authorized the Nonprofit corp. low income housing tax abatement in ORS 307.540-548 and requires renewal every year. See if revised text makes sense.

Catlin, Anne, 2022-09-08T19:44:47.283

KR1 0 Yes, I hadn't worded that clearly enough.

Kate Rogers, 2022-09-08T22:48:20.885

3.2 Tax Abatements

Initial Priority:



Discussion:



1. Which of the tax exemption programs should Albany consider?
 - Low-Income Rental Housing (20-year exemption)
 - Vertical Housing Development Zone (10-year exemption)
 - Transit-Supportive Multi-Unit Development (exemption up to 10 years)

2. Should this remain a high-priority strategy?

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3.3 SDC Deferrals, Exemptions, or Reductions

Initial Priority:



System development charges (SDCs) are one-time charges assessed on new development to pay for the costs of expanding public facilities. Albany charges SDCs for water, sewer, parks, and transportation.

Intent: Reduce housing development costs for needed housing types by exempting, reducing, or deferring SDC fees

Pros:

- Incentivizes the production of affordable housing and other needed housing types by reducing costs

Cons:

- SDC revenues are needed to expand or make system improvements
- SDC exemptions would need to be backfilled by another funding source



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3.3 SDC Deferrals, Exemptions, or Reductions

Initial Priority:



OPTIONS:

- **SDC Deferrals**

- Allow a residential development to delay payment of fees until the certificate of occupancy is issued, rather than at the time the building permit is issued
- Can be combined with SDC financing so that payments continue for a certain number of years (e.g., 10 years)
- Can improve the feasibility of residential projects by delaying payment until the property is generating income

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3.3 SDC Deferrals, Exemptions, or Reductions

Initial Priority:



OPTIONS:

- **SDC Reductions / Adjustments to Methodology**

- SDC fees are generally intended to be commensurate with the cost or impact of the development to the system
- Smaller housing types typically have lower impacts to the system, as their smaller footprint and lower occupancy results in lower needs for water, sewer, and transportation facilities
- Scaling SDC methodologies ensures that smaller dwelling sizes and middle, and multi-family housing are not disproportionately burdened by fees
- Albany currently proposing to change the SDC methodology so fees for single-unit dwellings are scaled to dwelling size and middle housing types would be less than the fee for an average sized single-unit home. Fees for apartments would be reduced even further.

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3.3 SDC Deferrals, Exemptions, or Reductions

Initial Priority:



OPTIONS:

- **SDC Exemptions**

- Provide larger incentives to housing development by exempting SDCs for certain housing types
- Can be especially helpful for regulated affordable housing, and can help projects “pencil out” financially
- Many cities exempt SDCs for ADUs
- Exemptions can be more challenging to the local jurisdictions in terms of lost revenue, and often need to be backfilled with other funding sources
- Staff is supportive of other funding sources being used to pay SDC fees for identified needed housing types, rather than exemptions

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3.3 SDC Deferrals, Exemptions, or Reductions

Initial Priority:



Discussion:

1. The City supports allowing SDC payment to be deferred until certificate of occupancy for all residential development. Do you agree with that strategy?
2. Should the City pursue SDC exemptions, provided a new funding source is identified to backfill revenues (e.g., Construction Excise Tax)?
3. If so, what housing type(s) should be supported by SDC exemptions?
 - ADUS
 - Regulated affordable housing
 - Other types?

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3.4 Expedited Permitting For Affordable / Needed Housing

Initial Priority:



Intent: reduce review and processing times for needed housing types – such as affordable housing or accessible housing

Pros:

- Could bring units online faster and help limited funding go further to produce a few additional units

Cons:

- Impact to housing production expected to be limited
- City is constrained by staff capacity to meet expected timelines
- Effectiveness also depends on cooperation of other departments (e.g., public works, transportation)



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3.4 Expedited Permitting For Affordable / Needed Housing

Initial Priority:



Discussion:

1. Do you agree that this strategy should remain a low priority, but that the City should consider it in the future should the Planning Department have more capacity?

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Funding Sources

- 4.1 Construction Excise Tax
- 4.2 General Obligation Bonds
- 4.3 Tax Increment Financing
- 4.4 Federal CDBG and HOME Funding
- 4.5 Demolition Taxes

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4.1 Construction Excise Tax (CET)

Initial Priority:



- One-time tax on construction projects. Revenues can be used to fund affordable housing projects and programs.
- CET can be up to 1% for residential projects. No cap on CET for commercial/ industrial construction.
- CET usage is regulated by state law:
 - 50% of revenues must be used for developer incentives (e.g., SDC exemptions, tax abatements, etc.)
 - 15% of residential CET must go toward OHCS for homeowner programs
 - The rest can be used flexibly for affordable housing programs



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4.1 Construction Excise Tax (CET)

Initial Priority:



Pros:

- One of few options to generate locally controlled funding for affordable housing.
- Once established, it would be straightforward to administer through the development permitting process.

Cons:

- CET is a tax on development. It increases development costs, so it could impact development feasibility.
- Additional costs to developers are typically passed on to tenants in new buildings.
- However, by structuring the policy with offsetting incentives, the impact on feasibility for certain projects could be limited.

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4.1 Construction Excise Tax (CET)

Initial Priority:



CET Revenue Estimates (based on city building permit data trends):

	Annual CET Rate		
	0.25%	0.5%	1%
Residential	\$91,456	\$182,912	\$365,824
Commercial / Industrial (includes multi-family)	\$80,322	\$160,644	\$321,287
TOTAL	\$171,778	\$343,556	\$687,112

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4.1 Construction Excise Tax (CET)

Initial Priority:



Discussion:

1. Do think Albany should consider adopting a CET?
2. Should it be applied to residential and/or commercial/industrial property types?
3. What tax percentage should be levied on residential construction (up to 1%) and on commercial and industrial construction (unlimited).
4. What income levels should benefit from production of affordable units (e.g., households earning <60% AMI, <80% AMI, etc.)?

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4.2 General Obligation (GO) Bonds

Initial Priority:



- General obligation (GO) bonds provide a stable, dedicated revenue source through increased property tax rates.
- Can be used to: acquire land; loan or grant funds to public or privately owned affordable housing projects; purchase existing buildings and convert them into permanently affordable rental housing.

Pros:

- Can be the most direct and best-funded way for a jurisdiction to support the development of new housing. Provides a large, dedicated funding source.

Cons:

- Requires voter approval to increase property taxes, which may not receive adequate community support.
- Can only be used for capital projects and cannot be used for supportive services or for operations.

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4.2 General Obligation (GO) Bonds

Initial Priority:



Discussion:



1. Do think Albany should pursue GO bond funding?

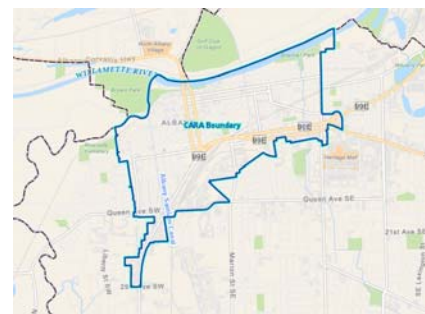
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4.3 Tax Increment Financing (TIF)

Initial Priority:



- Funding mechanism in which future tax revenues in targeted development or redevelopment areas (TIF districts / urban renewal areas) are diverted to finance infrastructure improvements and/or development.
- Can support affordable housing through land acquisition; paying for public improvements that support housing development; or paying development fees



Central Albany Revitalization Area (CARA)

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4.3 Tax Increment Financing (TIF)

Initial Priority:



Pros:

- TIF is a good tool to use in areas where new development or redevelopment is anticipated or desired.

Cons:

- TIF results in foregone tax revenue for the City and other overlapping taxing districts; however, it can (and should) grow the tax base in the long-term by supporting development that would not otherwise have occurred.
- If a new TIF district were established, it would likely be several years before there were sufficient revenue in the district to make significant investment in housing.



**Woodwind Apartments,
supported by CARA**

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4.3 Tax Increment Financing (TIF)

Initial Priority:



Discussion:

1. Should Albany consider establishing a new TIF district CAOh an affordable housing set-aside?

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Slide 28

CAO I wonder if the question is whether new TIF districts should be encouraged to have an affordable housing set aside? Since TIF districts typically have a few objectives and have to meet specific requirements, I don't know that we want to ask HATF if we should establish a new district.

Catlin, Anne, 2022-09-08T22:46:49.901

4.5 Demolition Taxes

Initial Priority:



Tax on demolition of housing to encourage retention of existing housing stock and to generate revenue for affordable housing.

Pro: May help preserve some of the city's existing housing that is less expensive.

Con: In some lower-income neighborhoods, it may deter the replacement or reinvestment in truly dilapidated, substandard, and or unhealthy housing, which may or may not be desirable to the community.

Example: City of Lake Oswego established a demolition tax in 2019.

- Tax of \$15,000 for demolition of single-family dwellings and duplexes.
- \$5,000 reduction for structures removed by deconstruction as opposed to mechanical demolition.
- Exemption for homes demolished for development of affordable multi-family housing and for condemned or unsafe homes.



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4.5 Demolition Taxes

Initial Priority:



To ensure demolition tax does not deter needed/beneficial redevelopment, consider implementing this strategy only if the housing replacement is 1:1 or less than 1:1—e.g., replacement of an older single-family home with a larger home.

Discussion: 

1. Should Albany consider establishing a demolition tax?

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Programs and Partnerships

- 5.1 Public-Private Partnerships (PPPs)
- 5.2 Support for Existing Affordable Housing and Residents
- 5.3 Providing Information and Education to Small Developers
- 5.4 Conversion of Underperforming or Distressed Commercial Assets
- 5.5 Housing Trust Fund

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5.1 Public-Private Partnerships (PPPs)

Initial Priority:



PPP

- Arrangements between public and private entities to create more and/or affordable housing.
- Cities can engage in PPPs in a variety of ways, such as acquiring land for development, providing financial assistance, and helping leverage public funding.
- Partnership with a Community Land Trust (CLT) is one example of a PPP.



CLT

- Community organization owns land and provides long-term ground leases to low-income households to purchase the homes on the land.
- Allows low-income households to become homeowners and capture some equity as the home appreciates, but ensures that the home remains affordable for future homebuyers.



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5.1 Public-Private Partnerships (PPPs)

Initial Priority:



Options for Supporting a CLT (such as DevNW):

- Donate City-owned land to be managed by CLTs
- Provide grants or low-interest loans for specific development or rehabilitation projects
- Provide down payment assistance for homes owned by CLTs
- Providing direct funding to a CLT



DevNW project in Florence

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5.2 Support for Existing Affordable Housing and Residents

Initial Priority:



Variety of programs that can be used to maintain housing affordability or help keep residents in their homes.

- **Financial assistance programs** – rent assistance, loans for homeowners, or assistance to low-cost apartment owners for repairs and upgrades. Typically funded through CDBG in Albany.
- **Preserving low-cost housing** – through acquisition, low-interest loans/revolving loan fund for preservation, and/or code enforcement. OHCS has a naturally occurring affordable housing (NOAH) loan fund.
- **Preserving manufactured home parks** – through assistance that allows community purchase of the underlying land and maintenance of dwelling units. OHCS regularly receives lottery bonds or general funds from the Oregon Legislature to preserve manufactured home parks.
- **Affordable housing preservation inventory** – inventory of subsidized and naturally occurring affordable housing to support proactive policies for preserving the affordable housing stock.

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5.3 Providing Information and Education to Small Developers

Initial Priority:



Intent: Provide information to small, local developers that will help them understand land use permitting processes so they can better provide smaller scale housing at an affordable level.

- Information can also promote accessible/Universal Design building techniques.

Strategies:

- Create FAQs and handouts
- Fact sheet about accessible/Universal Design
- Educational workshop, such as a recorded video or presentation slides
- Single point-of-contact or staff person to help guide individual projects through the planning and permitting process



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5.4 Conversion of Underperforming or Distressed Commercial Assets

Initial Priority:



Intent:

- Acquire underperforming or distressed commercial assets (commercial, retail, industrial, or hotel) or facilitate partnerships with owners of the assets for conversion into needed housing.
- Facilitate residential use of upper floors of commercial buildings downtown.

Pros:

- Makes use of existing underutilized buildings for housing.

Cons:

- Commercial buildings are not designed for residential occupancy and may face challenges to being converted.
- Upgrading buildings to meet current building code can be costly.
- Albany does not have many vacant commercial properties.
- Staff resources are limited to take the lead on this strategy.



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5.5 Housing Trust Fund

Initial Priority:



Intent: Create a dedicated fund to direct financial resources to support a variety of affordable housing activities.

- Not a revenue sources itself – tool for consolidating revenue, planning for how funds are spent, and directing them to housing programs.
- Construction Excise Tax (CET or General Obligation (GO) Bond could be potential revenue sources.

Examples:

- Ashland Affordable Housing Trust Fund – established in 2008. Funds can be dedicated to development or conservation, land banking, transitional/ emergency housing, etc.
- Eugene Affordable Housing Trust Fund – established in 2019 with adoption of a CET.



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Discussion



1. Do you generally support the following strategies?
 - Provide financial or other support to a Community Land Trust (*Strategy 5.1*)
 - Continue supporting existing affordable housing using CDBG funds and partnerships with non-profits (*Strategy 5.2*)
 - Provide information and education to small, local developers (*Strategy 5.3*)
2. Should the conversion of underperforming/distressed commercial properties strategy be a low priority, given the limitations of this strategy? (*Strategy 5.4*)

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Next Steps

- Public open house and online survey (this fall)
- Revise draft Housing Implementation Plan
 - Combine parts 1 and 2
 - Include more detailed implementation steps for high-priority strategies
- HATF meeting #5 (early 2023)
- Prepare adoption-ready draft Housing Implementation Plan
- Public hearings (March-April, 2023)