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EUGENE CITY COUNCIL AGENDA

December 9, 2020

12:00 p.m. CITY COUNCIL WORK SESSION

Due to Governor Kate Brown's Stay Home, Save Lives Executive Order to combat the spread of Covid-19, this meeting will be held remotely using virtual meeting technology. Information about online or other options for access and participation will be available at https://www.eugene-or.gov/3360/Webcasts-and-Meeting-Materials

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Meeting of December 9, 2020;
Her Honor Mayor Lucy Vinis Presiding

Councilors

Emily Semple, President	Jennifer Yeh, Vice President
Mike Clark	Greg Evans
Chris Pryor	Claire Syrett
Betty Taylor	Alan Zelenka

12:00 p.m. CITY COUNCIL WORK SESSION

1. **WORK SESSION: CAP2.0 Update**
2. **WORK SESSION: Housing Tools and Strategies – Inclusionary Zoning Follow-Up**

For the hearing impaired, an interpreter can be provided with 48 hours' notice prior to the meeting. Spanish-language interpretation will also be provided with 48 hours' notice. To arrange for these services, contact the receptionist at 541-682-5010. City Council meetings are telecast live on Metro Television, Comcast channel 21, and rebroadcast later in the week.

El consejo de la Ciudad de Eugene agradece su interés en estos asuntos de la agenda. El lugar de la reunión tiene acceso para sillas de ruedas. Se puede proveer a un intérprete para las personas con discapacidad auditiva si avisa con 48 horas de anticipación. También se puede proveer interpretación para español si avisa con 48 horas de anticipación. Para reservar estos servicios llame al 541-682-5010. Las reuniones del consejo de la ciudad se transmiten en vivo por Metro Television, Canal 21 de Comcast y son retransmitidas durante la semana.

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or visit us online at www.eugene-or.gov.

EUGENE CITY COUNCIL
AGENDA ITEM SUMMARY

Work Session: CAP2.0 Update

Meeting Date: December 9, 2020
Department: Central Services
www.eugene-or.gov

Agenda Item Number: 1
Staff Contact: Chelsea Clinton
Contact Telephone Number: 541-682-5649

ISSUE STATEMENT
The purpose of this work session is to provide information requested via two motions passed at the July 29, 2020, CAP2.0 Update Work Session. Staff will also provide updates related to the CAP2.0 community engagement work, updated greenhouse gas emissions inventories, and other efforts to implement the Climate Recovery Ordinance.

BACKGROUND
The City's Climate Recovery Ordinance (Ordinance No: 20567) includes the following goals: 1) the City organization to be carbon neutral by 2020, 2) the City organization to reduce fossil fuel use by 50 percent by 2030 compared to 2010 levels, 3) community-wide reduction of fossil fuel use by 50 percent by 2030 compared to 2010 levels, and 4) reduce community-wide greenhouse gas emissions by 7.6 percent annually through 2100. The City's Internal Climate Action Plan and the CAP2.0 are the roadmaps to the reaching the CRO goals.

Climate Action Plan 2.0: Community Ideas and Implementation Plan
At the July 29, 2020, CAP2.0 Update Work Session, City Council passed a motion approving the CAP2.0. The full document can be found here: https://www.eugene-or.gov/4284/Climate-Action-Plan-20.

City Council also passed two additional motions:

Motion 1: Bring back the cost and timeline to complete a **high-level analysis of all of the Community and Equity panel ideas** for potential action included in the CAP 2.0 in the fall, considering estimated costs per ton of emissions reductions, co-benefits, feasibility and equity impacts.

Motion 2: Bring back **process and timeline for implementation plan** in the fall, with special consideration to the ideas brought forward by the Sustainability Commission.

High-Level Analysis of Community and Equity Panel Ideas
In response to City Council's Motion 1 on July 29, staff estimate a 12-month process to conduct a high-level analysis of the 72 community ideas for potential actions and the 41 equity panel

recommendations focusing on each idea's climate impacts, equity impacts, and cost. The proposed process relies on existing staff resources, with minimal to no additional costs expected.

Subsequent to this staff analysis, Council may wish to consider further detailed analysis of the top 10 City-led ideas that emerge from the initial process. Staff estimate this detailed analysis to cost not more than $45,000 and occur over an additional 12-month period via a combination of staff, consultants, and/or other content experts.

CAP 2.0 Implementation Plan

In response to City Council's Motion 2, staff estimate a 12-month process to compile a high-level CAP2.0 implementation plan. Recommended elements for the implementation plan include the action, responsible party, timeline, high-level triple bottom line analysis, high-level greenhouse gas emission or climate impacts, high-level cost estimates, and funding sources if identified. This process relies on existing staff resources, with minimal to no additional costs expected. The outcome of this work will be an accessible, concise summary of information for each of the 115 City of Eugene and Eugene Climate Collaborative partner actions in the CAP2.0.

PREVIOUS COUNCIL DIRECTION

July 29, 2020

City Council approved the CAP2.0. City Council also provided direction to come back with timelines and cost estimates to vet community ideas and Equity Panel Recommendations and to create a CAP2.0 Implementation Plan.

ATTACHMENTS

A. Sustainability Commission July 2020 CAP2.0 Recommendation
B. CAP2.0 Motions: Timeline and Cost

FOR MORE INFORMATION

Staff Contact: Chelsea Clinton
Telephone: 541-682-5649
Staff E-Mail: cclinton@eugene-or.gov

Eugene Sustainability Commission

Attachment A

July 14, 2020

To the members of the City of Eugene City Council:

The Sustainability Commission recommends the Eugene City Council approve of the City's Draft Climate Action Plan with the following additions:

a) a commitment to reviewing all the community recommended actions in a timely manner
b) direction to staff to begin work on a short list of the community recommended actions as recommended by the Sustainability Commission

Commitment to Process Community Actions in a Timely Manner

The Sustainability Commission thinks many of the community recommended actions are worthy of adoption and recommends City Council adopt a commitment to reviewing these actions for decision making in a reasonable timeframe, 6 – 9 months, with an update on the result of these decisions included in the annual update on the plan. Potential actions should be assessed by the appropriate department, or partner organization, with recommendations to Council on which actions to pursue (to be approved or amended by Council).

Include decision making on proposed actions as part of ongoing processes where possible;

- Proposed transportation actions to be reviewed for inclusion in the Transportation System Plan Update (CAP action T8) to reach CRO goals
- Proposed natural gas actions to be reviewed for decision making by Council timed with decision making on the NW Natural Franchise Agreement (CAP action B1), in case additional or alternative natural gas related actions are desired. Some limits on infrastructure, if desired by Council, may only be possible as part of a franchise agreement.

Community Recommendations for immediate action

The Sustainability Commission recommends City Council direct staff to begin working on the following community recommended actions, with direction to bring policy and funding options to Council for approval.

- V2(a) Subsidize active transport for low-income youth
- V17 EV Charging at Gas Stations
- V24 Offsets for air travel
- V37 No natural gas in new City buildings and major upgrades
- V38 (b) Large Fossil Fuel infrastructure ban
- V49 Increase Urban Garden Space
- V67 Fossil Fuel Risk Bonds
- V74 Green Apprenticeship programs for BIPOC and low income

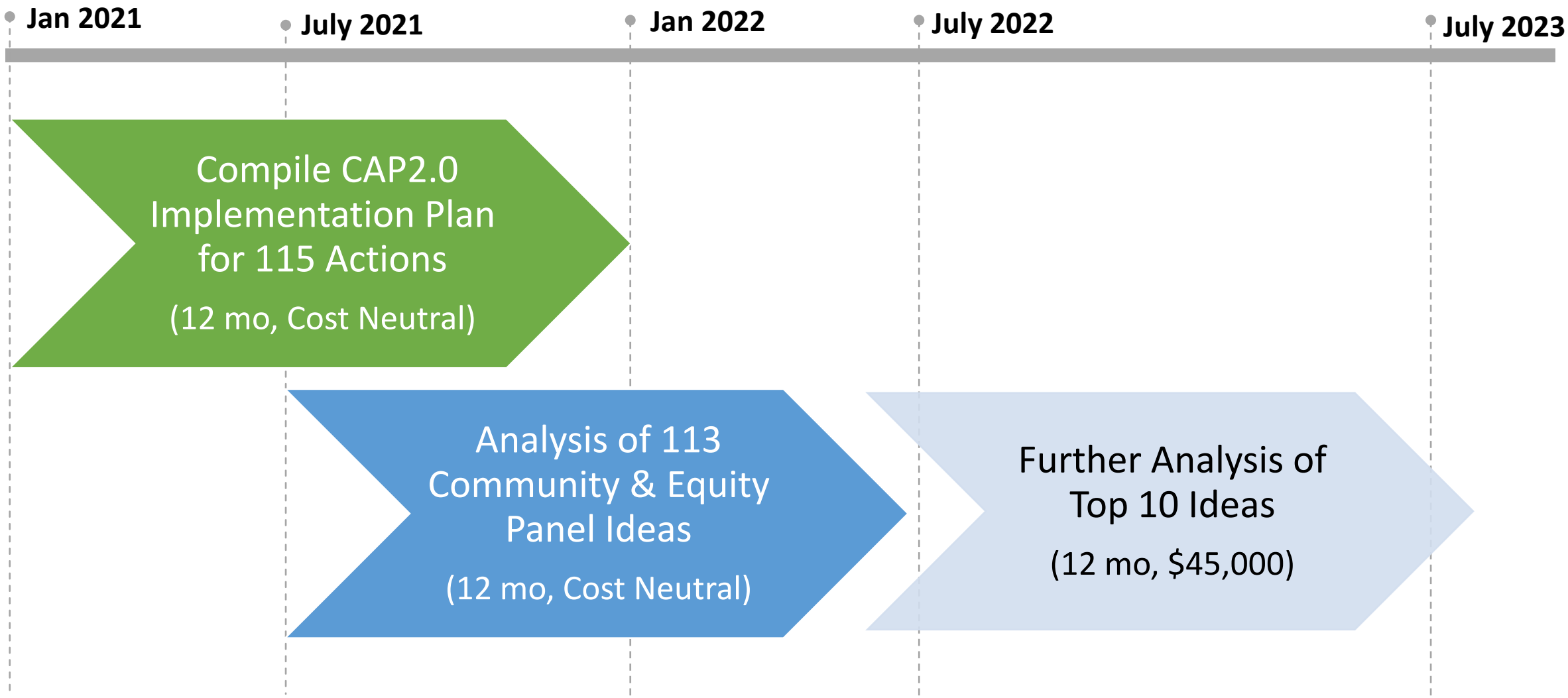
Actions already in Climate Action Plan

- V5 (d) Register Bikes – Schedule for implementation (TSP)
- V16 (a) Work w/ EV dealers – Schedule for implementation (CAP action T36)

- V22 (a) Re-route garbage trucks – Schedule for decision making (CAP action F7)
- V30 Home Energy Score and Commercial Benchmarking – Schedule for decision making (CAP action B4)
- V39 Net-Zero Buildings – Already State policy through Governor's Executive Order. Support state plans for all new buildings to be net-zero ready. (CAP action B23)
- V40 Clean Energy Fund – Schedule for decision making (CAP action B2)
- V50/V51 Low-Carbon Concrete – Schedule for decision making (CAP actions C5-C7)
- V55 Deconstruction requirement – Schedule for decision making (CAP action C4)
- V68 Divest – Already policy to extent feasible
- V73 High Speed Internet – Schedule for decision making (CAP action T29)

CAP2.0 Motions: Timeline & Cost

Attachment B



EUGENE CITY COUNCIL
AGENDA ITEM SUMMARY

Work Session: Housing Tools and Strategies – Inclusionary Zoning Follow-Up

Meeting Date: December 9, 2020 | Agenda Item Number: 2
Department: Planning & Development | Staff Contact: Anne Fifield
www.eugene-or.gov | Contact Telephone Number: 541-682-5535

ISSUE STATEMENT
City Council requested a follow-up work session to discuss the local opportunities to support affordable housing enabled through Senate Bill 1533 by the State of Oregon. In this work session, staff will answer the questions asked at the April 2019 work session on inclusionary zoning and share how inclusionary zoning relates to the City's work on Housing Tools and Strategies.

BACKGROUND
Residents of communities throughout Oregon are experiencing housing challenges related to affordability, quality, and stability. In 2016, the Oregon Legislature passed Senate Bill (SB) 1533, which enabled local jurisdictions to create a limited form of inclusionary zoning. The law allows jurisdictions to require the inclusion of affordable units (80% area median income [AMI] or above) in multi-family structures with 20 or more units. Staff provided Council with a summary of SB 1533 on April 17, 2019. Staff have compiled responses to Council's questions from that work session and a summary of background information on inclusionary zoning (**Attachment A**). One of the main requests was a description of what a voluntary inclusionary zoning program would look like, which is answered in #5 of Attachment A and will be discussed at the work session.

Inclusionary zoning is one of many tools that staff have explored as part of the larger Housing Tools and Strategies (HTS) project, which looks to identify barriers to housing affordability, availability, and diversity. The City began the HTS effort in 2018, working with a diverse group of community stakeholders to suggest, evaluate, and recommend possible strategies and tools to address housing affordability, availability, and diversity. In December of 2018, Council directed staff to address housing affordability, availability and diversity by implementing 12 administrative actions under the HTS project. In April 2019, the Eugene City Council passed Ordinance No. 20609 establishing a construction excise tax (CET), which will fund affordable housing development in Eugene through the Affordable Housing Trust Fund (AHTF). Staff are currently developing a Request for Proposal in collaboration with the AHTF Advisory Committee and will present projects for Council approval in May of 2021.

Staff have provided Council with quarterly updates to the recommended actions that emerged from HTS, the most recent update was sent on October 31, 2020 (**Attachment B**). In the HTS project, staff have worked to evaluate and implement a variety of measures, including changes to

the Land Use Code, reducing costs, and increasing the inventory of Affordable housing units. In early 2021, staff will provide Council an update on the HTS project and progress made to date on addressing housing affordability, availability, and diversity, and discuss tools such as voluntary inclusionary zoning.

PREVIOUS COUNCIL DIRECTION

April 12, 2017 Work Session—City Council received an introductory presentation on SB 1533 and directed staff to gather information on policy options for Inclusionary Zoning and for a CET in collaboration with the Housing Policy Board.

December 13, 2017 Work Session—City Council reviewed a set of recommendations from the Housing Policy Board for implementation of a CET. Council directed City Manager to continue engaging community stakeholders on implementation of a CET.

May 30, 2018 Work Session—City Council directed the City Manager to identify tools and strategies that: reduce the cost to build diverse housing types at various levels of affordability; establish a local funding source for affordable housing; and support the Envision Eugene pillars, and to bring back budget authorization for Council consideration.

December 12, 2018 Work Session—City Council directed the City Manager to address housing affordability, availability and diversity by implementing 12 administrative actions items.

January 14, 2019 Council Meeting—City Council directed the City Manager to create a draft CET ordinance and to schedule a public hearing.

April 8, 2019 Council Meeting—City Council adopted an Ordinance Concerning Imposition of a Construction Excise Tax on Commercial and Residential Improvements and Adding Sections 3.730, 3.732, 3.734, 3.736, 3.738, 3.740, 3.742, 3.744, 3.746 and 3.748 to the Eugene Code, 1971.

April 17, 2019 Work Session—City Council received a presentation on mandatory inclusionary zoning and provided questions for staff to answer in a future meeting about inclusionary zoning and housing tools and strategies.

COUNCIL OPTIONS

1. Direct the City Manager to return to Council in early 2021 with an update on Housing Tools and Strategies to discuss housing affordability overall and voluntary inclusionary zoning as one of several tools.
2. Take no further action.

CITY MANAGER'S RECOMMENDATION

City Manager recommends that Council direct staff to provide an update in early 2021 on Housing Tools and Strategies to discuss housing affordability overall, progress made to date, and voluntary inclusionary zoning as one of several tools to promote housing development.

SUGGESTED MOTION

Move to direct the City Manager to provide an update in early 2021 on Housing Tools and Strategies to discuss housing affordability overall, progress made to date, and expanded options for tools including voluntary inclusionary zoning.

ATTACHMENTS

A. Inclusionary Zoning Answers to Prior Councilor Questions
B. Housing Tools and Strategies Quarterly Update, dated October 31, 2020

FOR MORE INFORMATION

Staff Contact: Anne Fifield
Telephone: 541-682-5451
Staff E-Mail: afifield@eugene-or.gov

Answers to Councilor Questions about Inclusionary Zoning

Current Conditions

In April of 2020, the City of Eugene and the City of Springfield adopted a *Consolidated Housing Plan for Housing and Community Development*. Part of the *Consolidated Plan* involved a thorough analysis of Eugene's local economic and housing conditions. The local conditions analysis showed that while Eugene's median household income grew by 14% from 2010 to 2017, income did not keep pace with the costs of both owner or rental housing.

Housing costs in the Eugene-Springfield area have risen sharply since 2010, especially in recent years. In Eugene, median home sale prices increased by about 130% between 2000 and 2019, reaching $320,000 (Zillow October 2019). Median rental rates have also increased substantially faster than incomes, if not as dramatically as home values. Between 2010 and 2019, the median rental rate rose to $1,373 in Eugene, a 47% increase.

As a result of rising housing costs, many households in Eugene are 'cost burdened', which means they pay more than 30% of total household income on housing. More than half of Eugene's renter households (55%) are cost burdened; about a quarter of Eugene's homeowner household's (27%) are cost burdened.[1]

Background on Inclusionary Zoning

Residents of communities throughout Oregon are experiencing housing challenges related to affordability, quality and stability. In response, the State of Oregon passed a suite of legislative measures in 2016 including Senate Bill (SB) 1533. Through SB 1533, the State of Oregon enabled two new tools for local jurisdictions to increase the availability of affordable housing. The first tool is the ability to create local affordable housing trust funds through a construction excise tax (CET), which the City of Eugene implemented in 2019. The second tool is a form of inclusionary zoning, which allows jurisdictions to require inclusion of affordable units in multi-family structures with 20 or more units. If the City were to adopt this second tool (mandatory inclusionary zoning), a portion of the City's CET would have to be reserved for inclusionary zoning incentives that would be used by market-rate development to incorporate affordable units. Specifically, only 31% of the CET would be available for City's discretionary use for affordable housing through the Affordable Housing Trust Fund.

Inclusionary zoning is a policy typically implemented at the local level to incorporate units affordable to low or moderate-income households as a part of a market-rate development. While hundreds of inclusionary zoning policies have been adopted by local jurisdictions across the country, they vary significantly in their scope, focus and impact. To date,

[1] https://www.eugene-or.gov/DocumentCenter/View/52890/Eugene-Springfield-Consolidated-Plan-Executive-Summary-?bidId=

Portland and Ashland are the only cities in Oregon to have adopted a mandatory inclusionary zoning policy. Portland's program began in 2017 and applies to all developments that have over 20 units. The City of Ashland has had a mandatory inclusionary zoning policy since the 1980s but the policy is mainly limited to annexing developments into Ashland's city limits.

Answers to Questions from Councilors

At the April 17, 2019 work session, Council asked staff to follow up with answers about the technicalities and efficacy of inclusionary zoning. The remainder of this document answers those questions.

1. *If the affordable units mandated by inclusionary zoning were converted to condominiums, would the affordability requirement go away?*

   While there is nothing in the law that limits the conversion of housing tenure of affordable units, if rental units designated as affordable by inclusionary zoning were converted to condominiums, the units would still need to be sold at an "affordable" rate.

   Related to this, SB 1533, does not specify a length of time that affordable units produced by inclusionary zoning are mandated to remain affordable, leaving this as a decision for individual localities. The City of Portland has opted to set a 99-year affordability period for affordable units produced by their mandatory inclusionary zoning program. If Eugene adopted an inclusionary zoning program, it would be City Council's decision on whether to set an affordability period and, if so, what the duration would be.

2. *Are units required to be rented to families below median income?*

   The legislation does not require that the units set aside as affordable by inclusionary zoning be specifically rented to families below the area median income (AMI). Individual localities do have the ability to set a specific income limit and require building owners to verify incomes before renting or selling the affordable units. The City of Portland has instituted an income limit of up to 80% AMI (or 60%, depending on the developers' choice of housing incentives) and requires verification for renters and potential homebuyers of designated affordable units. Portland has an "Income Rising In Place" policy that allows a tenant's income to increase above the affordable unit's income limit and still have the unit fulfill the program requirements.[2]

   For units created through mandatory inclusionary zoning, the law does limit the income level to which localities can set affordability. SB 1533 defines "affordable housing" as housing units affordable to households with incomes at 80% AMI or above. Affordable development funded by State and Federal resources do not traditionally fund housing for households at or above 80% AMI. The limit effectively places a floor on how low the rent (or sales price) of the unit can be mandated through mandatory inclusionary

[2] https://www.portland.gov/sites/default/files/2019-08/ihadministrativerules_0.pdf

zoning. A city could require housing at price points higher than would be affordable to folks earning 80% AMI and still fulfill the inclusionary zoning requirement for affordability.

3. *What percentage of eligible developments in Portland chose to build affordable units under their mandatory inclusionary zoning policy versus pay the fee in lieu?*

   Because of Portland's mandatory inclusionary zoning policy, all buildings over 20 units are required to either a) provide a certain number of units at rents affordable to households earning 80% AMI or b) pay a fee-in-lieu. Portland has structured their program to discourage the use of the fee-in-lieu option. To date, all developments over 20 units permitted after the city's adoption of mandatory inclusionary zoning in 2017 have opted to build the affordable units, rather than pay the fee-in-lieu.

   Portland offers a number of incentives to developers to help alleviate the cost of providing affordable units. These incentives include property tax exemptions, Construction Excise Tax (CET) and System Development Charge (SDC) exemptions, density bonuses, and parking requirement exemptions. They also give developers the option of taking more generous incentives if the developer voluntarily sets aside a certain percentage of units as affordable to families earning 60% AMI. This percentage of units is determined by both geographic location of the buildings as well as whether the developer chooses to rent the units as affordable at 80% AMI or at 60% AMI. According to the City of Portland's website, 56% of buildings permitted under inclusionary zoning opted to build units with rents at 60% AMI while 44% of buildings chose to build units with rents at 80% AMI.[3]

4. *Has mandatory inclusionary zoning disincentivized development in Portland?*

   This is a complicated question without a clear answer. The housing market is complex and unique to each city, making it difficult to isolate the effects of Portland's mandatory inclusionary zoning policy. Portland's mandatory inclusionary zoning policy (known as Inclusionary Housing) has only been in effect since February of 2017. Housing developers are still adjusting to the new policy.

   In the year prior to Inclusionary Housing's implementation, there was a surge in permits for multi-unit apartments. Developers submitted permits before the new policy went into effect, to avoid needing to meet its requirements. According to a report in *The Oregonian*, Portland permitted an average of 3,200 apartments a year over the five years from 2012 to 2016. In 2017, the number of permitted units shot up to 6,250, almost doubling the number of permitted units.[4] In the first full year after Inclusionary Housing's adoption, Portland permitted only 654 multi-family units, roughly 20% of the average number units permitted per year in the 2012-2016 period. This substantial decline in permitted units is partially due to the large volume of permit applications in

[3] https://pdx.maps.arcgis.com/apps/Cascade/index.html?appid=4396ccc2125f4e31b39c74430cea3662
[4] https://nextcity.org/daily/entry/portland-developers-still-getting-acclimated-to-inclusionary-housing

the year leading up to Inclusionary Housing's adoption. The number of permits increased after the first year of Inclusionary Housing's adoption but has not risen to averages seen in the 2012-2016 period. The policy has not been in place long enough to understand if it has disincentivized housing development in Portland.

Since its adoption in February of 2017, Portland permitted (or is in the process of permitting) 7,309 new multi-family units; 780 of those units are reserved as affordable under the Inclusionary Housing program.[5] For comparison, the City of Eugene permitted about 2,100 multi-family units (i.e., more than 5 or more dwellings) since 2017.

Research shows that mandatory inclusionary zoning programs generally do not depress new construction in strong housing markets.[6] Before enacting their Inclusionary Housing policy, Portland conducted extensive market studies to ensure that market conditions were well suited for a mandatory policy.

5. *What would a voluntary program look like, if Council wanted to pursue it?*

A voluntary inclusionary zoning program would give developers the option of building affordable units in exchange for some type of incentive. Given that the success of inclusionary zoning programs is dependent on the actions of private developers, programs are typically calibrated to local conditions for market rate development. It is likely that inclusionary zoning would need to be highly incentivized for it to be utilized in the Eugene market.

Eugene's Multi Unit Property Tax Exemption (MUPTE) program, in its current form, is a form of voluntary inclusionary zoning. The MUPTE program offers a 10-year property tax exemption for developments of 5 units or more within the downtown core to developments that meet program requirements. One of those requirements is that the developer either a) rent at least 30% of the units at rent affordable to households with incomes equivalent to 100% AMI or b) pay a fee equivalent to 10% of the total MUPTE benefit. The intent of MUPTE is encourage new housing in the downtown, because in the absence of such an incentive, new housing has not been built in the downtown. The moderate-income housing requirement aims to increase the supply of such units but also diminishes the financial value of the tax exemption incentive for the development.

There are a variety of other incentives that could be offered to new multi-unit housing developments, such as:

- **Property tax exemptions.** The City could offer a tax exemption on the value of new construction for new multi-unit housing beyond downtown Eugene. The advantage of such a program is that there is no 'out-of-pocket' cost to the City and the City will

[5] https://pdx.maps.arcgis.com/apps/Cascade/index.html?appid=4396ccc2125f4e31b39c74430cea3662
[6] https://www.chapa.org/sites/default/files/Center%20For%20Housing%20Policy%20Research%20on%20Inclusionary%20Zoning.pdf

increase its tax base in the long term while also getting more housing and affordable units.

- **Construction Excise Tax (CET) exemptions.** The City's CET increases the cost of construction for all new development. Exempting the CET for developments that include units for a specific income group could possibly incentivize the construction of new, affordable units. Such an exemption would limit CET revenue flowing to the Affordable Housing Trust Fund, which the City uses to support a variety of specific types of affordable housing.
- **System Development Charge (SDC) exemptions.** The City and EWEB impose SDCs on new development, which add to construction costs for projects. For example, a 100-unit building is likely to pay over $500,000 in SDCs. The downside of this type of incentive is that it would limit those projects' financial contribution via SDC fees for the City to construct future infrastructure.
- **Density bonuses.** Under density bonus programs, development is eligible for a pre-defined increase in density or floor area ratio (FAR) in exchange for providing public benefits (such as affordable housing units). Different levels of density may be available in exchange for providing additional public benefits. Density bonuses are most likely to be successful in locations with relatively strong real estate markets, where it makes financial sense to build taller buildings than what is allowed. To date, Eugene has not seen pressure from developers to increase height restrictions.
- **Parking requirement exemptions.** The City of Eugene requires new development outside of the downtown core to meet minimum parking standards. (Eugene has made the downtown area 'parking exempt' and the City does not require new development to construct new parking.) The overall cost of development will be lower if the developer need not provide parking spaces. However, the absence of on-site parking can lead to conflicts with existing neighbors, as new residents use on-street parking.

The implementation of any of the above incentive programs have administrative costs, as City staff would have to confirm a development met specified criteria, but the programs do not generate revenue to fund those administrative costs. Any such incentive program would need to identify a mechanism to fund operating costs.

6. *Are there other inclusionary zoning programs in Oregon?*

To date, Portland and Ashland are the only cities in Oregon with a mandatory inclusionary zoning program. Ashland's program is unique, in that it has existed since the 1980s and was legacied into the law that prohibited mandatory inclusionary zoning, which was later repealed by SB 1533.

Ashland's form of mandatory inclusionary zoning is much smaller in scope than Portland's in that it is only applies to annexations of developments into the city limits. Annexations of more than four units must provide an equivalency of 25% of base density rated as "affordable," for households earning 80% AMI as defined by the

Ashland City Code. Ashland's affordable units have a 60-year affordability period. In order to support development, Ashland allows the developers to defer or waive SDC charges and offers a density bonus for construction of affordable units. The City of Ashland is currently considering adjustments to this policy to make it more flexible for developers, but will not be changing the overall mandate that annexing developments must support affordable housing.

The City of Corvallis and other cities in Oregon have instituted a CET but have not instituted an inclusionary zoning program. Corvallis uses its CET revenues to directly support affordable housing development, similar to Eugene's CET and associated Affordable Housing Trust Fund.

Eugene Community Development

To: Mayor Lucy Vinis and City Council
From: Jennifer Knapp, Urban Design Planner
Date: October 31, 2020
Re: Housing Tools and Strategies update

Mayor and City Councilors,

The Housing Tools and Strategies (HTS) team committed to providing you with quarterly updates on the progress of items that address the affordability, availability, and diversity of housing. This memorandum provides updates on projects since our last update, in the July 2020 HTS update.

BACKGROUND

In 2018, Council directed staff to implement a process that would tie together the overlapping initiatives that address housing affordability, availability, and diversity of type. Staff implemented the Housing Tools and Strategies initiative to meet this Council directive.

In the fall of 2018, staff assembled a Working Group that identified over 80 recommendations to increase the availability, affordability, and diversity of housing in Eugene. Staff consolidated these recommendations into the HTS Action Inventory, a document that is intended to serve as a working list of actions that the City can take.

The HTS team has maintained regular contact with the HTS Working Group and other interested parties, keeping them apprised of the progress on recommendations in the HTS Action Inventory. Additionally, staff have met with key stakeholders for feedback and brainstorming. The HTS website continues to be updated with new information.

UPDATES

Middle Housing Code Amendments (Implementation of HB 2001)

The Oregon State Legislature passed House Bill 2001 in June 2019, a law that is intended to provide more opportunities for a variety of housing types in traditionally single detached neighborhoods, and to increase the overall housing supply in and around cities. The new law requires that, no later than June 30, 2022, the City of Eugene must amend its land use regulations to allow the following.

- A duplex on each lot or parcel: that is located within city limits; that is zoned for residential use; and on which the City's land use regulations allows the construction of a single detached dwelling.
- Triplexes, quadplexes, cottage clusters, and townhouses in residential zones within the City that allow single detached dwellings.

In summer 2020, the Planning Commission approved the project's Public Involvement Plan. Since then the project has launched its Engage Eugene page and has begun planning to hold a variety of

meetings including Local Partners and Boards and Commissions Roundtables, an Equity Roundtable, and a series of Healthy Democracy Planning Review Panels.

At the state level, the Department of Land Conservation and Development (DLCD) is still working to finalize the Model Code and Minimum Standards for compliance with the House Bill. Both will be finalized by December 2020. While we wait for state guidance, the first phase of the project will focus on establishing Guiding Values and Principles then, in early 2021, outreach will focus on draft code concepts. For more information on the project, visit the project webpage and Engage Eugene page.

Affordable Housing Trust Fund Advisory Committee

The Affordable Housing Trust Fund Advisory Committee (AHTF-AC) advises City staff on the allocation of Affordable Housing Trust Fund resources. The Trust Fund comprises an initial $500,000 from the City's General Fund and revenue generated from the Construction Excise Tax. The AHTF-AC met four times in June and July and identified their priority as the creation of affordable housing. Two members of the committee accompanied staff to the July 27 Council work session. At that work session, Council passed a motion that directed the City Manager to allocate $300,000 of the Affordable Housing Trust Fund resources for the creation of affordable housing, as recommended by the AHTF-AC (the development allocation), and $500,000 for direct assistance to renters and homeowners that is to be released immediately through existing channels. The AHTF-AC met in September and October to discuss the Request for Proposals process and RFP criteria. The AHTF-AC will continue to discuss RFP criteria and the draft RFP in November and December, with a scheduled release of early 2021. Developers would have approximately 60 days to submit proposals. An evaluation committee will score the proposals in the Spring and provide scores to City Council to make the final decision for funding.

For more information, visit the website.

Affordable Housing Trust Fund – Direct Assistance and Development Allocation

At the July 27 Council work session, Council passed a motion that directed $500,00 for direct assistance to renters and homeowners. DevNW received $150,000 to provide homeowners with direct mortgage assistance to prevent foreclosure. Direct rent assistance in the amount of $350,000 is in the process of being allocated through Lane County. Currently, Lane County is working with several agencies to spend down CVVRP (COVID-19 Rent Relief Program) and CARES Act (Coronavirus Aid, Relief, and Economic Security Act) rent assistance which must be spent by December 30, 2020. Lane County plans to disburse the AHTF rent assistance as soon as the CVVRP and CARES Act funds are expended.

Voluntary Inclusionary Zoning (V-IZ)

In 2016, the Oregon State Legislature passed Senate Bill 1533, a law that is intended to provide more opportunities for a variety of housing types in traditionally single detached neighborhoods, and to increase the overall housing supply in and around cities. SB 1533 enabled Oregon jurisdictions to implement a limited form of inclusionary zoning (IZ) in their communities

through adoption of a local ordinance. There are multiple limitations built into the enabling legislation and the most significant restrictions include building type, affordability, incentives and the fee-in-lieu option.

At an April 12, 2017 work session, Staff gave an introductory presentation on SB 1533 and was directed by Council to gather information on policy options for IZ and come back. Housing Policy Board spent a significant amount of time studying IZ across the country and in Portland, resulting in a recommendation to Council that the City not adopt a mandatory IZ but instead explore voluntary IZ (V-IZ) as an option. At an April 17, 2019 work session, Staff reviewed the state's enabling legislation for IZ, use of the tool in Oregon and considerations for use of this tool in Eugene. Council requested Staff bring back answers to specific questions and a work session is scheduled for December 9, 2020.

Community Development Block Grant – Coronavirus Funds

The federal CARES Act included a special allocation of CDBG funding to help local communities respond to the impacts of coronavirus. This CDBG-CV funding is a separate grant from the entitlement CDBG grants received on an annual basis from HUD. The City of Eugene received a CDBG-CV entitlement allocation of $839,940. The CDBG Advisory Committee reconvened in June and approved a draft allocation recommendation for identified uses. Identified uses include providing housing assistance, expanding homeless services, and fair housing as well as providing micro-enterprise training. On July 27, staff presented that recommendation to Council and it was approved. Staff have completed the Substantial Amendment to the 2020 Action Plan and are in the process of negotiating and executing related contracts.

The City was recently notified that we will receive another entitlement allocation from the federal CARES Act called CDBG-CV3 in the amount of $1,016,237. In order to utilize these funds, Eugene must complete another allocation process to identify uses of funds and submit a second Substantial Amendment to our 2020 Action Plan. The CDBG Advisory Committee will be reconvened, and staff will present a draft allocation recommendation to Council. Visit the website for more information.

Renters Protections Committee

The Renters Protections Committee is a subcommittee of the Housing Policy Board. They identified key priority ideas to be renter and landlord education and rent and deposit assistance and presented their recommendations to the Affordable Housing Trust Fund Advisory Committee in December 2019. A portion of CDBG-CV funds are supporting a tenant hotline, which is a direct result of the Renters Protections Committee work. The work of the Renters Protections Committee has paused. More information is available on the website.

Renters Resources

Governor Kate Brown on Sept. 28, 2020 established a new moratorium preventing residential evictions for non-payment and other no-cause evictions between September 30

and December 31, 2020. In the first special session of this year, the Legislature passed House Bill 4213, establishing a residential and commercial eviction moratorium through September 30, 2020, with a six-month repayment period. The Governor's new executive order will help keep Oregonians in their homes until the Legislature can convene next year to address housing issues. Information on Housing Support related to coronavirus is available on the website.

Mixed-Income Housing Development: 1059 Willamette Street

The City acquired 1059 Willamette in April 2020, using CDBG funds. The use of CDBG funds requires that at least 51% of the units are affordable to households at 80% of the Area Median Income.

The planned development is mixed-income housing, where 51% of the units meet the CDBG income requirements and the remaining 49% are available at any rent. For such a project to be financially feasible, some public funds will be required to fill a funding gap. City Council held a Public Hearing about potential funding sources for the project on September 21. On September 30, City Council voted to move forward with a Request for Proposals (RFP) process to identify a developer for the proposed project. Council and the Urban Renewal Agency Board also voted to make available in the RFP $400,000 from the Multi-Unit Property Tax Exemption (MUPTE) moderate income housing fee and $700,000 of Downtown Urban Renewal funds to financially support the project.

The City plans to release the RFP in November 2020. Developers will have approximately 60 days to respond to the RFP. An Evaluation Committee will score and rank submitted proposals. Staff will ask the public for feedback, and City Council will decide which proposal to select to develop the site. The City anticipates selecting a developer by March 2021. Visit the website for more information.

Affordable Housing Development: Iris Place

The City-owned property on River Road acquired through the Land Acquisition for Affordable Housing program was transferred to St. Vincent de Paul in July. Construction of the 53-unit development began in August 2020. The one, two- and three-bedroom apartments will be targeted to households earning no more than 50% of the Area Median Income. The development is anticipated to complete construction in November 2021.

LIRHPTE

City Council voted in May 2020 to extend the Low-Income Rental Housing Property Tax Exemption (LIRHPTE) program through June 30, 2030. The program was first adopted in 1990 and has been provided to 33 housing developments in Eugene. The LIRHPTE program has helped over 1,400 housing units achieve and maintain long term affordability. For the LIRHPTE program to be implemented, 51% of taxing districts must approve the program. In June, the Bethel School

District approved the LIRHPTE program through 2030. In September, the 4J School District also approved the program extension.

Consolidated Annual Performance and Evaluation and Report (CAPER) -2020

As a requirement for receiving US. Department of Housing and Urban Development (HUD) funds, the City is required to report annually on Affordable Housing and Community Development outcomes in the Consolidated Annual Performance and Evaluation Report (CAPER). This report measures the outcomes of activities undertaken as part of the annual Action Plan and overall progress towards meeting goals established in the Consolidated Plan. Staff are working on the 2020 CAPER, which will be the final report for the 5-year Eugene-Springfield 2015 Consolidated Plan. This report must be submitted to HUD by December 31, 2020.

Urban Reserves & Growth Monitoring

As part of Envision Eugene, City Council initiated projects and programs related to ensuring the City's long-term housing supply and ability to manage its growth, including establishing Urban Reserves, developing a Growth Monitoring program, and updating the City's needed housing (clear and objective) regulations.

Urban Reserves planning and the City's Growth Monitoring program are being closely coordinated. The state allows cities to designate Urban Reserve land outside the urban growth boundary (UGB) that can be considered a first priority if and when a city needs to expand its UGB for housing or other uses. The goal of Urban Reserve planning is to identify an appropriate supply of land for possible expansion, so the City is prepared to grow in a way that meets the community's needs and values. City Council recently directed staff to proceed with developing an adoption package for a 27-year Urban Reserve, which would reserve almost 6,000 acres of land for future growth needs, while preserving our highest-class farmland. Staff is meeting with the Lane County Board of Commissioners on November 10 for their direction.

A cross-department staff team have been developing a state-of-the-art Growth Monitoring Program. This will allow us to regularly check-in on actual development trends and adjust our growth strategies along the way, such as if we are developing our residential land quicker than we assumed and housing affordability. Over the past couple of years, staff have been focused on developing a data collection system and data graphic (charts, etc.) templates. On October 26, the Planning Commission received a high-level update on the program, watch the meeting webcast or view the meeting materials at the Planning Commission meeting webpage.

Expansion of the UGB is a highly prescriptive process governed by state law that includes first looking at growth monitoring results to determine if there is a need to expand for housing or other uses, then considering measures to grow more compact inside the current boundary before expansion can be considered. If expansion is needed, Urban Reserve land will be the first areas considered.

Initiating the adoption process for Urban Reserves is anticipated for Spring of 2021, assuming consistent direction from City and County elected officials. The first growth monitoring report to Council is anticipated for later in 2021. Having Urban Reserves in place when monitoring results are considered will help determine whether more land is needed for housing, and if an urban growth boundary analysis should be initiated. This will include a new housing need assessment which is required by the State to be adopted by December of 2026.

For more information, go to www.eugene-or.gov/UrbanReserves or www.eugene-or.gov/GrowthMonitoring.

FOR MORE INFORMATION

These little houses have been used throughout the HTS process and now serve to link initiatives to the goal of increasing housing affordability, availability, and diversity of type. These initiatives may be recommendations from the Working Group, existing projects or programs, or new approaches. By connecting programs, initiatives, plans, and projects we can begin to visually show the cumulative effect of these efforts. And, we can connect everything to the same narrative—that housing affordability, availability, and diversity of type is a wicked problem that crosses many departments and work groups; solutions take time, process change, and thoughtful balancing of values; and that all these items can contribute to the goals within HTS.

For more information and to keep up to date on progress, visit the HTS website at www.eugene- or.gov/housingtools. For questions, contact Jennifer Knapp at JKnapp@eugene-or.gov.