Eugene City Council
125 E. 8th Ave., 2nd Floor
Eugene, OR 97401-2793
541-682-5010 • 541-682-5414 Fax
www.eugene-or.gov

EUGENE CITY COUNCIL AGENDA

December 13, 2017

12:00 p.m. CITY COUNCIL WORK SESSION
Harris Hall
125 East 8th Avenue
Eugene, Oregon 97401

Meeting of December 13, 2017;
Her Honor Mayor Lucy Vinis Presiding

Councilors

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

12:00 p.m. CITY COUNCIL WORK SESSION
Harris Hall, 125 East 8th Avenue

The Mayor calls the December 13, 2017, City Council work session to order.

A. WORK SESSION:
Downtown Riverfront Redevelopment Project Update

B. WORK SESSION:
Local Options for Affordable Housing Funding

Adjourn.

The Eugene City Council welcomes your interest in these agenda items. This meeting location is wheelchair-accessible. 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.

For more information, contact the Council Coordinator at 541-682-5010,
or visit us online at ***www.eugene-or.gov.***

CITY COUNCIL
AGENDA ITEM SUMMARY

Work Session: Downtown Riverfront Redevelopment Project Update

Meeting Date: December 13, 2017 | Agenda Item Number: A
Department: Planning and Development | Staff Contact: Denny Braud
www.eugene-or.gov | Contact Telephone Number: 541-682-8817

ISSUE STATEMENT
Working in partnership with Eugene Water & Electric Board, City staff has been making progress towards the redevelopment of the Downtown Riverfront property and the creation of an active, accessible and inviting place on the Willamette River. At this work session, staff will provide a project update.

BACKGROUND
The EWEB Riverfront Master Plan was adopted by the EWEB Board in 2010, a key step in reconnecting downtown to the Willamette River. The Master Plan, which included a significant multi-year public engagement process, was adopted by City Council in 2013 along with land use policies to support its implementation. In November 2013, the EWEB Board of Directors declared as surplus approximately 17 acres. This property is our Downtown Riverfront; its redevelopment needs to positively impact the entire community. This signature redevelopment has the unparalleled potential to achieve the following objectives:

- Create a new downtown neighborhood;
- Provide an inviting place along the river for the entire community;
- Enhance connectivity along the riverfront path system;
- Strengthen the economic identity of the region with key connections to the downtown innovation district, the Knight Campus, and the regional River Districts concept; and
- Become a signature destination and focal point in 2021 and beyond.

Project Status
Earlier this year, the City's Urban Renewal Agency entered into a Purchase and Sale agreement with EWEB to purchase approximately 17 acres of surplus property on our Downtown Riverfront. That agreement provided for a due diligence period and completion of several technical details necessary to finalize our purchase of the property. The property ownership is expected to change hands early next year.

In June, the Agency entered into an Exclusive Negotiation Agreement with Portland-based Williams and Dame, the development entity selected through EWEB's Request for Qualifications process following the UO Foundation's withdrawal. The agreement provides a six-month period

for Williams and Dame to conduct due diligence on the potential purchase and redevelopment of the property. To date, they have been actively engaged in their investigation of the site and have recently added Portland-based SERA Architects to their team to begin looking at conceptual site planning options for the property using the Master Plan guiding principles. This early work is centered on site plan considerations such as site access and street configurations, parcel sizes, building scale, and potential uses.

Concurrent with the Agency's purchase of surplus property, EWEB will also be conveying to the City approximately three acres along the riverbank for development of a new public park. The City of Eugene Parks and Open Space team recently issued a Request for Qualifications (RFQ) for design consultants in order to identify the top five groups to continue working with through an additional Request for Proposals (RFP) process. It is anticipated that park design work would begin early next year and continue throughout most of 2018, including gathering community input.

Work on the railroad quiet zone continues to move forward, including coordination with the various railroad and regulatory authorities to achieve approval of a quiet zone. Related to the Downtown Riverfront Redevelopment project, quiet zone crossings at 8th Avenue, Pearl Street, and High Street are being designed. The 8th Avenue crossing also includes design work for a primary access entrance to the Downtown Riverfront property and park. In January, the Urban Renewal Agency Board will consider a boundary amendment to the Riverfront Urban Renewal District that would include the Pearl Street and High Street crossings, making them eligible for urban renewal funding. The River Guides will consider this boundary expansion and provide a recommendation to the Agency Board.

The Exclusive Negotiation Agreement with Williams and Dame does not include the historic EWEB Steam Plant included within the surplus property being purchased by the Agency. This allows the Agency to consider a broad range of future uses for the Steam Plant, particularly uses that have the potential to attract a wide range of community members to the Downtown Riverfront.

RELATED CITY POLICIES

Redevelopment of the Downtown Riverfront property supports many goals for Eugene and downtown, as listed below. As this project moves into the implementation phase, the City's primary focus will be guiding redevelopment of the property aligned with the community's vision as expressed in these adopted plans and policies.

Eugene Downtown Plan

- Incorporate the Willamette River as in integral element to downtown planning and development.
- Collaborate with EWEB to encourage relocation of their utility facilities. Create a "people place" that is active, vibrant, accessible and multi-use.
- Facilitate dense development in the courthouse area and other sites between the core of downtown and the river.
- Stimulate multi-unit housing in the downtown core and on the edges of downtown for a variety of income levels and ownership opportunities.

- Downtown development shall support the urban qualities of density, vitality, livability and diversity to create a downtown, urban environment.
- Actively pursue public/private development opportunities to achieve the vision for an active, vital, growing downtown.
- Use downtown development tools and incentives to encourage development that provides character and density downtown.
- Facilitate dense development in the courthouse area and other sites between the core of the downtown and the river.
- Promote adjacent park and open space areas as a valuable complement to downtown's urban places. Improve connections between downtown and nearby nature areas.

Envision Eugene Pillars

- Promote compact urban development and efficient transportation options.
    - Integrate new development and redevelopment in the downtown, in key transit corridors and in core commercial areas.
    - Meet the 20-year multi-family housing need within the existing Urban Growth Boundary.
    - Make compact urban development easier in the downtown, on key transit corridors, and in core commercial areas.
- Provide housing affordable to all income levels.
- Provide ample economic opportunities for all community members.
- Protect, repair, and enhance neighborhood livability.
- Protect, restore, and enhance natural resources.

Regional Prosperity Economic Development Plan

- Strategy 5: Identify as a Place to Thrive - Priority Next Step - Urban Vitality
    - As we foster a creative economy, dynamic urban centers are an important asset. Eugene, Springfield and many of the smaller communities in the region recognize the importance of supporting and enhancing vitality in their city centers. Building downtowns as places to live, work and play will support the retention and expansion of the existing business community and be a significant asset to attract new investment. The Cities of Eugene and Springfield will continue to enhance their efforts to promote downtown vitality through development and redevelopment.

Eugene Climate & Energy Action Plan

- Increase density around the urban core and along high-capacity transit corridors
- Continue to expand and improve Eugene's bicycle and pedestrian infrastructure and connectivity to increase the percentage of trips made by bike and on foot.

COUNCIL OPTIONS

Information only.

CITY MANAGER'S RECOMMENDATION
Information only.

SUGGESTED MOTION
No action required at this time.

ATTACHMENTS
None.

FOR MORE INFORMATION
Staff Contact: Denny Braud
Telephone: 541-682-5536
Staff E-Mail: denny.braud@ci.eugene.or.us

Staff Contact: Sarah Medary
Telephone: 541-682-6877
Staff E-Mail: sarah.j.medary@ci.eugene.or.us

EUGENE CITY COUNCIL
AGENDA ITEM SUMMARY

Work Session: Local Options for Affordable Housing Funding

Meeting Date: December 13, 2017 | Agenda Item Number: B
Department: Planning & Development | Staff Contact: Stephanie Jennings
www.eugene-or.gov | Contact Telephone Number: 541-682-5529

ISSUE STATEMENT
City Council requested a follow-up work session to discuss funding options for affordable housing. This work session follows an exploratory session that occurred on April 12, 2017, and includes a set of recommendations developed by the Housing Policy Board related to a Construction Excise Tax.

BACKGROUND
Residents of communities throughout Oregon are experiencing challenges related to housing affordability, quality, and stability. Multiple local, state, and national trends have resulted in increased challenges for households who rent their homes. There have been multiple shifts in the supply of housing units as well as the needs of residents.

In response to these challenges, the State of Oregon passed a suite of legislative measures in 2016 including SB 1533. Through SB 1533, the State of Oregon enabled local jurisdictions to adopt a construction excise tax to support the development of affordable housing. SB 1533 also enables Oregon jurisdictions to adopt a limited form of inclusionary zoning.

Council received an introductory presentation on SB 1533 during a work session on April 12, 2017. At the conclusion of this session, Council voted 6:1 to pursue development of policy options for a construction excise tax, mandatory inclusionary zoning, and voluntary inclusionary zoning. Council asked staff to work with the Housing Policy Board and also consult with the Human Rights Commission and other impacted parties regarding policy options and market conditions.

Since April, staff have worked with the Housing Policy Board to explore options for a dedicated source of funding for affordable housing through a Construction Excise Tax (CET). The Housing Policy Board has developed a set of recommendations for Council consideration. Staff will return to Council at a later date with policy options for voluntary and mandatory inclusionary zoning.

The attached HPB recommendation memo provides: 1) a synopsis of local affordable housing trust funds; 2) allowed revenue options and uses under SB 1533; 3) required and options exemptions; 4) a summary of measures passed by other jurisdictions in Oregon; 5) an estimate of potential revenue; and 6) a set of recommendations. These recommendations were unanimously supported by the Housing Policy Board as well as the Human Rights Commission.

RELATED CITY POLICIES
There are multiple City plans and policies related to affordable housing including the Eugene-Springfield 2015 Consolidated Plan, Envision Eugene, and the Eugene City Code. In addition, multiple task forces over time have recommended the creation of a local housing trust fund with a dedicated source of revenue. Each related plan and policy is briefly summarized below.

Eugene-Springfield 2015 Consolidated Plan
The Consolidated Plan provides an assessment of local housing, homelessness, and community development needs, identifies priority needs for use of funds received from HUD, and presents strategies to address the priority needs. The Consolidated Plan adopted by Eugene City Council in 2015 identifies low-income renters and homeowners as priority populations and includes five specific strategies for expanding affordable housing options and access for people with limited incomes. At this time, the two primary federal resources received by the City are at risk of significant reduction or elimination.

Envision Eugene Community Vision
Related pillars of the Envision Eugene Community Vision include the pillars "Provide housing affordable to all income levels" and "Provide ample economic opportunities for all community members." Housing strategies in the 2012 recommendation include planning for a higher proportion of multi-family housing in the future, expanding housing variety and choice, assessing the applicability of a housing and transportation affordability index, supporting subsidized affordable housing projects, and continuing existing programs that support preservation and rehabilitation of existing housing stock.

PROPOSED NEXT STEPS
City staff will further explore policy options for structuring a CET, engage with stakeholders, and bring a recommendation back to Council within 90 days.

SUGGESTED MOTION
No motion applicable.

ATTACHMENTS
A. Housing Policy Board Memorandum – The Affordable Housing Trust Fund and How to Fund It – 12/4/2017

FOR MORE INFORMATION
Staff Contact: Stephanie Jennings
Telephone: 541-682-5529
Staff E-Mail: stephanie.a.jennings@ci.eugene.or.us

HOUSING POLICY BOARD

The mission of the Housing Policy Board is to increase the availability of decent, affordable housing for low and very low income families and individuals in Lane County.

Date: 12/4/2017
To: Eugene City Council
From: Intergovernmental Housing Policy Board
Subject: The Affordable Housing Trust Fund and How to Fund It

Eugene City Council asked the Housing Policy Board to develop a recommendation for the creation of a local dedicated source of funding for affordable housing in its work session on April 12, 2017. Over the past year, members of the Housing Policy Board have gathered research on newly developed local funding sources in other Oregon communities and have worked to develop a recommendation for Council consideration. Over the past three months, the Housing Policy Board has met six times and members have reached out to multiple community stakeholders to inform its recommendation.

As a result of these conversations, it is clear there is significant and growing concern about access to affordable housing within Eugene and Lane County. Conversations with local affordable housing providers reveal that a local dedicated source of funding would greatly increase their ability to move forward a wide range of affordable housing developments. In particular, this resource would have much greater flexibility than federal and state resources that are currently available.

Background Information

Hundreds of local jurisdictions around the country have created housing trust funds to support the development and preservation of affordable housing. These trust funds typically augment federal and state grants with a locally controlled flexible resource. Eugene has previously created such a fund, but has never been able to establish a sustained source of revenue to adequately support it.

In 2016, the Oregon legislature created a new way to generate funding that can be used for affordable housing through the adoption of Senate Bill (SB) 1533. As a result of this legislation, local jurisdictions may choose to: 1) adopt a tax on construction permits (called a Construction Excise Tax or "CET") to generate revenue for affordable housing; and 2) implement inclusionary housing requirements (commonly called inclusionary zoning or "IZ"). This document discusses the first of those, the proceeds of which can go into a housing trust fund. A local jurisdiction may choose to adopt a CET without also adopting IZ.

Eugene may adopt a construction excise tax to support affordable housing. The tax may not exceed 1% for residential construction; there is no limit on the rate for commercial or industrial construction. The tax is assessed on the permit valuation of the improvements. The land value is not included. For residential construction, it includes both new construction and improvements to existing structures that add square footage to the living space.

If a jurisdiction implements a residential CET but does not implement a mandatory IZ program, the proceeds may be used as follows:

- 81% must be allocated to programs and incentives related to affordable housing as defined by the city.
- 15% must be transferred to Oregon Housing and Community Services (OHCS) to fund home ownership programs. (OHCS determines how these resources will be used and has communicated that these resources will be made available to the community where they were generated.)
- 4% may be retained to cover administrative expenses.

If a jurisdiction implements a residential CET and also implements a mandatory IZ program, the proceeds must be used as follows:

- 50% of the resources must be reserved for incentives to compensate a developer for IZ developments.
- 31% must be allocated to programs and incentives related to affordable housing as defined by the city.
- 15% must be transferred to Oregon Housing and Community Services (OHCS) to fund home ownership programs. (OHCS determines how these resources will be used and has communicated that these resources will be made available to the community where they were generated.)
- 4% may be retained to cover administrative expenses.

If a jurisdiction implements a commercial CET, the proceeds must be used as follows:

- 48% must be used to fund programs "related to housing" as defined by the City.
- 48% may be used by the city without restriction (including for administration of this program).
- 4% may be retained to cover administrative expenses.

There are numerous statutory exemptions from the tax including: 1) construction by governmental entities (for example, the school districts and the University of Oregon); 2) affordable housing developments that meet the state's long-term affordability restrictions; 3) public or private hospitals; 4) religious facilities; 5) private schools; 6) nonprofit long-term care facilities, residential care facilities, and continuing care retirement facilities; and 7) agricultural buildings. The local jurisdiction may add more exemptions, such as Accessory Dwelling Units (ADUs), low income homeownership programs, etc.

What Other Jurisdictions Are Doing

Portland, Hood River County, Hood River City, Corvallis, Newport, Cannon Beach and Milwaukie have all adopted a CET pursuant to SB 1533. Portland is the only jurisdiction to adopt a mandatory IZ ordinance, though Corvallis has adopted a voluntary IZ ordinance. In addition, Sisters, Astoria, McMinnville, Salem, and Newberg are also considering a CET.

The adopted ordinances are quite similar but with a few substantive differences. All have adopted a 1% tax on all construction, except Corvallis which assesses a 1.5% tax on non-residential construction. Several allow for the rate to be set annually by the city council. Hood River County has a special rate

for new or replaced manufactured homes, at 75¢ per square foot.

Portland has added several exemptions including: ADUs (though the City will review this after two years); improvements valued at $100,000 or less; and owner-occupied homes that qualify for Portland's low-income single-family property tax exemption. Hood River City and County also add both ADUs and some other minor exemptions. Tillamook exempts any facilities owned and operated by a 501(c)(3) corporation.

There are some variations regarding the use of proceeds, targeting different Area Median Income (AMI) levels:

- Portland targets affordable housing units at or below 60% of AMI for its non-IZ incentives; under SB 1533, its IZ incentives must serve people at 80% AMI and above.
- Corvallis targets affordable rental housing for those below 60% AMI and home ownership for those below 80%.
- Hood River County targets affordable housing up to 120% AMI.
- Hood River City targets affordable housing below 80% of AMI.
- Tillamook directs the residential CET to affordable housing below 80% of AMI, and all of the commercial CET to workforce housing below 200% of AMI.

These jurisdictions direct CET revenue into their own housing trust funds to support affordable housing programs. In addition, their ordinances do not provide specific definitions of affordable housing.

In Eugene, the Area Median Income for a family of four is $59,000. A reasonable housing budget for this family would be up to $1,475 for rent and utilities (about $1,300 for rent alone). For a household of two, the Area Median Income is $41,300, which translates into a monthly affordable housing budget of $1,032 for rent and utilities (about $900 for rent alone). Table 1 shows information on 100% AMI, 80% AMI, and 60% AMI income levels by household size in our region as defined by HUD HOME and CDBG programs. Table 2 shows gross rents for the corresponding income levels by unit size, which includes utility costs.

Table 1: Income Limits by Household Size

Income	Number of people					
	1	2	3	4	5	6
60% AMI*	$24,780	$28,320	$31,860	$35,400	$38,280	$41,100
80% AMI*	$33,050	$37,800	$42,500	$47,200	$51,000	$54,800
100% AMI**	$41,300	$47,200	$53,100	$59,000	$63,800	$68,500

* HUD HOME program
** HUD CDBG program

Table 2: Gross Rents for Corresponding Income Limits, Which Includes Utilities

Rent Limits	0 Bd	1 Bd	2 Bd	3 Bd	4 Bd	5 Bd
60% AMI	$620	$708	$797	$885	$957	$1,028
80% AMI	$826	$945	$1,062	$1,180	$1,275	$1,370
100% AMI	$1,032	$1,180	$1,328	$1,475	$1,595	$1,712

Potential Impact
CET revenue will fluctuate with real estate cycles. Based on Eugene construction activity over the last two years, a 1% tax on all construction is likely to generate about $3 million per year. If the City decides on a different tax rate, the proceeds are likely to be as follows:

Commercial @ 0.5%	Commercial @ 1.0%	Commercial @ 1.5%
974,671	1,949,342	2,924,013

Residential @ 0.5%	Residential @ 1.0%
527,889	1,055,778

Because the use of CET proceeds is so flexible (especially without an accompanying mandatory IZ ordinance), it will enable expanding and preserving the supply of affordable housing. This can be done by providing additional gap financing to make housing more affordable. Other possible uses include funding for transitional housing, "housing first" projects, housing related operational support, permanent supportive housing, "missing middle" housing, conestoga huts, tiny housing, shelters, and land banking. Especially important is that these could be accomplished without the sometimes overwhelming, costly, and counter-productive HUD requirements. In addition, the funds could be used for projects when federal funds are prohibited.

Housing Policy Board Recommendation
The Housing Policy Board recommends that the City adopt a construction excise tax with the following policy elements:

Tax rate - The HPB recommends that the rate be set at 1% for all types of construction.

Exemptions - Besides the statutorily required exemptions, the HPB recommends exempting affordable housing developments that received an Affordable Housing System Development Charge exemption from the City.

Use of funds – The HPB recommends that all CET revenue (including the discretionary 48% from commercial) be used for affordable housing production and implementation costs (collection costs plus 1.0 FTE). The desired outcome of implementing the CET is to see a dramatic increase in affordable housing production. For rental units, the HPB recommends an emphasis for households earning 60% AMI and below. However, the guidelines should be set at 80% AMI and below to allow for greater flexibility. For home ownership units, the HPB recommends an emphasis on households earning 80% AMI and below. However, the guidelines should be set at 100% AMI and below to allow for greater flexibility. HPB anticipates the City would provide deeper subsidies for projects serving lower income residents and shallower subsidies for higher income levels within the above ranges.

Process for making funds available - The HPB recommends that the City put the proceeds into Eugene's Affordable Housing Trust Fund, that staff develop an RFP process (similar to the process for HOME and CDBG funds) with proposed uses reviewed by an advisory committee which would contain some members of the HPB, and that City Council makes final funding decisions.