

ZO Conversion Program

INTRODUCTION

This proposal crosses the focus of several of your working committees on HPAC, so I offer it to all of the HPAC Council for consideration.

Since 2011, I have been a leading voice for *well-designed* collaborative housing at cities, APA conferences, and housing policy think-tanks. Having been one of the founders of the East Bay ADU Task Force, I went on to coordinate the City of Oakland's ADU presentations and tours, presenting the policy segments. I also ran an in-fill design and policy consulting business, helping owners and investors site ADUs, and convert single-family homes into collaborative housing.

What I'm proposing is a state program to encourage the remodeling of existing residences into a specific form of collaborative housing where 2-4 households can thrive, living together long-term. I call this subset of designed collaborative housing ZOs, from the Greek words Zo, Zontanos - *to live vibrantly*.

ZOs consist of:

One or more buildings on a parcel that by their redesign, arrangement and relationship intentionally bring together several households of various demographics and configurations for the social and economic benefits, the housing affordability, and resilience it offers all residents.

These are specifically designed to encourage healthy, long-term living as a 2-4 household arrangement.

A ZO is usually the adaptive re-use of an existing single-family residence or commercial structure, or an ADU designed for more than one household. (**See the attached example being built in Portland.**) If part of city code, other remodeling possibilities such as detached bedrooms can be included. In all variations, the housing includes redesigned collaborative kitchens and commons, good-sized privacy realms or quarters for each household, circulation re-designed for several occupants, and may include optional income-generating or affinity spaces.

Please note that in all cases, re-design of these existing structures is vital to the success of this class of housing and this program!

Most efforts at collaborative residences are makeshift; they pour multiple households into unaltered single-family dwellings. Without attention to privacy, personal storage and good circulation for multiple residents, they can only be looked upon and used as an interim housing strategy. But with **careful but not costly** redesign for privacy and commons, the existing housing stock can be nimbly converted to housing for 2-4 households. This is why the program aims to develop State-wide ZO Design Guidelines for jurisdictions and pay staff-time for participating.

Since this program focuses on redesigning mostly internal spaces, it leaves existing neighborhood open space, and structural density. As well, it encourages ZOs to be organically developed by owners, scattered across all neighborhoods, allowing infrastructure to keep pace with the growing density.

~ Matt, I do see this as Governor Kotek's secret weapon. Her actual goal is housing 36,000 *household families*/per year. **Why count units as only single household entities, when each unit can affordably be made to serve multiple households!?**

~Designing for long-term satisfaction and living can more than **double available housing** for Oregonians, a key goal of the Governor.

~ Building a program around remodeling (with fast-tracked ADUs), means permitting and creating ZO housing will be significantly **faster** than non-profit housing, and infill new construction.

Therefore, I believe a program to reward and encourage these conversions would be a worthy recommendation for you to develop, and adopt.

I would like to assist in helping you shape this recommendation as needed. See the proposal suggestions below. Then I can lead the informational roll-out presentation that takes this program to Oregonians, renters, investors and owners alike.

<https://www.youtube.com/watch?v=nVyuRm8Q204>

Since my return to the Pacific Northwest was for an intended retirement, I have taken down my ADU/in-fill housing consultancy website. But you can see from my LinkedIn profile (<https://www.linkedin.com/in/lonigray/>) that I am stepping up to form a professional Institute to promote ZOs as a legitimate class of housing worthy of its own Design & Development Standards, with its own assistance and incentive programs. The Institute will train designers, contractors and incremental developers to respond to the real needs of this housing class and create ZOs for long-term healthy living.

CONVERSION PROGRAM SUMMARY

The Program encourages conversion of single-family homes into ZO collaborative housing, via redesign and remodeling within the envelope or with minimal additions. It also allows and encourages approved, larger ADUs that are designed for collaborative living.

In practice, the State will develop incentives, including possible funding assistance for property owners to do these conversions, and ZO Design Guidelines and a checklist to clarify which remodels qualify for the program. (See Appendix: ZO Design Guideline Criteria.)

The program will be rolled out to the public in a series of free, state-wide presentations to homeowners, investors and renters. Presentations will offer the benefits and program guidelines, financial incentives and requirements for converting their properties. Similar to Habitat for Humanity, the Program also includes an educational component offered by an experienced private-sector training partner, about how to manage and succeed at collaborative living. The

State will develop a **ZO Program Website** to recruit and gather together renters that property owners with approved ZOs may tap.

At the jurisdiction level, the Program will be introduced via staff meetings. They will be educated about the program, the State ZO Design Guidelines, and the checklist they will use for applicants. In addition, we will lay out how the State pays for the ZO Specialist.

Lastly, the Program will do a baseline & post-program survey/study to gauge its impact on the housing crisis and affordability. Feedback is also essential to evolve the model's design criteria as lessons are learned, with the aim of developing pre-approved or preferred design layouts.

If the survey shows good buy-in and growing interest, the State could develop a **Share Loan** component. As part of the ZO Conversion Program requirements, owners who wish to sell would offer their tenants first option to purchase. A share loan program allows renters to take the step into affordable ownership to wealth build.

PROGRAM BENEFITS

- Makes existing housing stock serve more families.
- Uses remodeling over new construction to speed development at less cost.
- Makes rents more affordable and ownership more achievable to more Oregonians.
- Incremental development allows jurisdictions to keep up with infrastructure build out.
- As RIP 1&2 and ADUs began, this continues to shift the mindset away from one home on a lot. This old view burdens a single family and **create barriers to renting and ownership**.
- Encourages designs that better respond to the modern profile of Oregon families. (28.1% solo residents, of that 11.8% are over 65yr and wish to age-in place in their communities; 247,420 single parents (15%); a 4-fold growing national population of multi-generational and unrelated collective households. (See Appendix: Resources & References.)
- If the program includes a revolving loan fund with interest or shared appreciation, it can grow the State coffers when repaid, as well as create jobs for designers, and remodelers.

SUGGESTED DETAILS OF PROGRAM

ZO CONVERSIONS MUST

- Be done in existing building stock that can be legally converted for residential use, or ADUs built specifically for collaborative living.
- Cannot be used for multi-family development over 4 households.
- Must rent to long-term residents except as bonus shown below.
- Agrees to host up to 3 tours/open houses/year while program is active.
- When owner sells a ZO dwelling, they must offer it to tenants first. (See Share Loan under Funding)

CARROTS

Tenants

- Shared, lower security deposit and lower rents.
- Website that helps them find other interested housemates.
- Path to ownership with Share Loan.

Property Owners - Investors and Owner-occupied

Program could offer favored terms to encourage owner-occupied conversions.

- Like ADUs, SDC waiver and Fast-track permitting **with a ZO specialist at city.**
- If ZO-ing an ADU, can build to **1200sf** to create good 2 realms/Commons collaborative design.
- Bonus: 1 month of STRs/year/per ZO created to earn income between long-term leases.
- Bonus rent (A deed restriction):
Example: (See calculation detail in Appendix.)
 - 2bedroom rents \$2100 in town. Each ZO suite + commons rents for \$1,113 (\$2,226)
 - 3bedroom rents for \$2700. Each ZO suite rents \$945. (\$ 2,835 monthly)
 - 4Bedrm rents for \$3000. Each ZO rents for \$840. (\$ 3,360 monthly)
- Lower rate Funding – See below

Jurisdictions

- Program develops **A Design Guideline Checklist** for jurisdictions to use.
- State offers ½ to 1 FT staff funding to Cities offering program based upon # of permits approved. The more they do, the more staff time money they earn.

FUNDING SUGGESTIONS

- State Tax Credits.
- State as guarantor of conventional bank loans- descending liability over first years of loan.
- Pursue HUD programs to add to Loan Fund, like PRO Housing, an \$85 million grant program to remove obstacles to housing:
https://www.hud.gov/program_offices/comm_planning/pro_housing. They award 20 grants from \$1 to 10 million to (primarily) local coalitions that are actively taking steps to remove barriers to affordable housing. It is not just for zoning and policy work. It includes work on a broader set of strategies to remove obstacles to housing production for relatively affordable units.
- Construction Loans – Interest Only. (Lower rates for owners-occupied projects.)
- Bridge and TD loans- 5- 20years

- **Investor ZOs**- the longer they agree to a deed restriction limiting rent (as above), the lower the interest rate.
- **Owner-Occupied ZO.** Lowest interest rate, right to remove undesirable housemate.
- **Appreciation Share Loan** - no monthly payments in exchange for shared % of appreciation at sale, estate, or 20 years.
- **Stock Share Loan** for renters wanting to own a ZO – *a path to ownership!*
 - State offers low interest **Share Loans** for purchase by multiple households. (Buyers create non-profit corporation that buys property. Occupants buy a corporate stock share using a Share mortgage, to have right of occupancy. This allows someone who has life changes or doesn't want to live collectively to sell their share to the next resident without disrupting the rest of the household.)

OTHER POTENTIAL OUTCOMES

- Creates more rentals that can accommodate families as well.
- Stimulates other lenders to explore shared home financing. (Share and fractional loans)
- Can offer path to more Oregon ownership and wealth building.

POSSIBLE WAYS LONI WORKS WITH HPAC

- Works with State to develop program, or reviews program HPAC develops.
- Does state-wide presentations to property owners and municipalities with guidelines and calls to action.
- Assists with Study aspects of Program.
- Gathers prospective tenant groups through free presentations across the state, with sign-up website and house governance training. Adds tours of properties as they are completed.
- When Institute is formed, gathers, trains designers and builders to teach program and guidelines

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APPENDIX

RENTAL BONUS CALCULATION

- Property Owners can rent for a small percentage more than area unit rental: (As a deed restriction)
 - 2HH ZO can rent up to 52% of area average 2B rental rate = 104%
 - 3HH ZO- rent up to 35% of average 3B rental = 105%
 - 4HH ZO rent up to 28% of 4Bedroom rental = 112%

Examples:

2bedroom rents \$2100 in town. Each ZO suite + commons rents for \$1,113 (\$2,226)

3bedroom rents for \$2700. Each ZO suite rents \$945. (\$ 2,835 monthly)

4Bedrm rents for \$3000. Each ZO rents for \$840. (\$ 3,360 monthly)

OTHER ZO BONUSSES

- One month of STR/per ZO realm created/per year to fill vacancies between long-term tenants.
- Free- Standing ZO ADUs need to be designed for 2 privacy realms with commons and can go up to 1200sf to create good collaborative design. Must be approved by ZO Specialist as meeting all ZO design criteria.

ZO DESIGN GUIDELINES CRITERIA

Here is what must be developed. The minimum sizes and requirements will differ for ADU ZOs versus House ZO conversions:

- 2-4 Privacy Realms around a Commons, each is larger than typical bedrooms.
 - Bedrooms can be alcoves rather than full rooms with floor to ceiling closets/storage
 - Flexible private side or dayrooms that can be connected to commons if desired.
 - Minimum sf of personal storage per occupant
 - Private 1/2 to full bathrooms.
- Shared full baths are family designed bathrooms with segregated uses.
- Personal conditioned storage everywhere, with unconditioned group and individual storage.
- Private and shared indoor/outdoor extension spaces- patios decks, porches, pergolas.
- A Collaborative Kitchen. Multiple work triangles/ stations, private prep rooms or areas and storage shelves for each household with at least ½ fridge. A designed shared cooking center.
- Collaborative Circulation Design with niches for privacy within the commons and airlocks that gently squeeze residents together when entering common areas to foster conversation.
- Shared affinity and work areas somewhere on property if possible.

RESOURCES & REFERENCES

From Census 2021 American **Community Survey** and **Stacker** July, 2023:

Oregon households 1,702,599

State Population 4,237,256

- **Solo HH residents** - 479,248 (28.1%) (11.8% over 65.)
Men- 216,855
Women 262,393
- **Single parents** 15% 247,420 HH
Dad's 82,016 (3+ family avg);
Mom's 165,404 (3.27ppl)
- **Multi-generational**
44,448HH (2.7%) AC Survey includes grandparents with a parent present.)
46,323 (2.9%) Stacker by state
- **Unrelated ppl living together** 648,567 (including friends and unmarried couples, I suspect)

AARP articles about senior lifestyles

- How Seniors wish to live: WhereWeLive-2018-lr-v2-5. AARP.pdf
- <https://www.aarp.org/livable-communities/tool-kits-resources/library/>

Fast Company <https://www.fastcompany.com/90342219/the-future-of-housing-looks-nothing-like-todays>

Pew articles about living arrangements of Americans:

- <https://www.pewresearch.org/short-reads/2022/07/20/young-adults-in-u-s-are-much-more-likely-than-50-years-ago-to-be-living-in-a-multigenerational-household/>
- <https://www.pewresearch.org/short-reads/2019/12/12/u-s-children-more-likely-than-children-in-other-countries-to-live-with-just-one-parent/>
- <https://www.pewresearch.org/short-reads/2020/04/10/as-family-structures-change-in-u-s-a-growing-share-of-americans-say-it-makes-no-difference/>
- <https://www.pewresearch.org/social-trends/2021/10/05/rising-share-of-u-s-adults-are-living-without-a-spouse-or-partner/>

Washington Post. Since smart phones and internet, we're spending more time alone:

<https://www.washingtonpost.com/opinions/2022/11/23/americans-alone-thanksgiving-friends/>

the Roost - BASEMENT 2 BED/2BA ADU

2 SUITES
 SHARED KITCHEN & DINING

ADU CAN BE USED BY ONE FAMILY HOUSEHOLD

OR

2 MORE AFFORDABLE SUITES AROUND A COMMONS -
 WITH 2 PRIVACY SUITES AND SHARED KITCHEN
 COMMONS

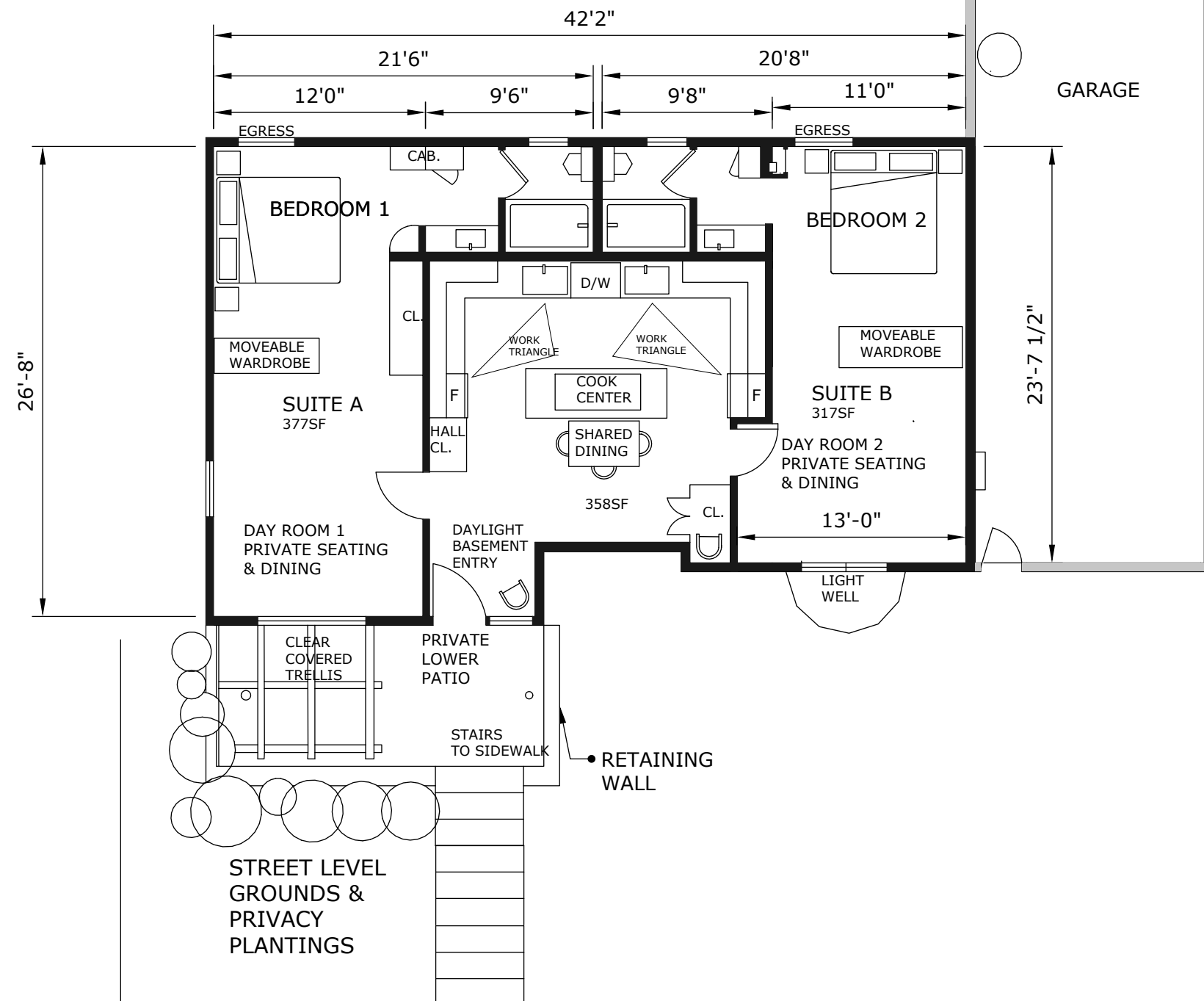
~ KITCHEN HAS 2 WORK TRIANGELS, SEPARATE
 SHELIVING & FRIDGES. (CAN REDUCE TO ONE LARGE
 SINK WITH DISHWASHER)

~ 2PRIVACY SUITES WITH DAY ROOMS THAT CAN BE
 USED FOR PRIVATE DINING OR LIVING ROOMS.

~ EACH HOUSEHOLD HAS 675-735SF OF INDOOR
 LIVING AREA

~ DAY ROOMS (CHANGE TO DOUBLE POCKET DOORS)
 ONE OR BOTH CAN BE OPENED ALLOWING FOR A
 LARGER SHARED COMMNS FOR PARTY OR WHEN
 DESIRED.

~ NOT A TINY HOUSE, FULL-SIZED ROOMS AND
 KITCHEN, AND GROUNDS, WITH ASSES STORAGE IN
 BACKYARD



1/8" = 1'0"



I am writing in regards to the Codes and Design's recommendations for the August 11, 2023 HPAC meeting. While the recommendation is good natured, I would like to share some concerns and potential friendly amendments that may help clarify the groups intent, while minimizing the unintended consequences the current recommendation could provide.

Below is the current recommendation with my editorial below each section italicized for the reader's ease:

Update existing regulations and requirements for condominiums to make them easier to build and expand the types of construction that qualify to include smaller middle housing concepts.

- Reduce statute of ultimate repose to 6 years. BCD to develop on envelope inspection standards to be inspected by local jurisdictions as part of the building inspection process to help reduce risk of defects.
- Clarify rules and roles for condominium documentation to keep out of local jurisdiction (HB 3395). Provide information to cities and help amending code to remove local guidance (Real Estate Agency).
- Release of earnest money for construction
- Provide more state resources for approval and training/code amendment (more staff)
- Do not require individual Limited Common Elements to be measured as part of the condo plat (outer boundary to be measured with individual elements within it to be listed, rather than measured).
- Air space condominiums shall be permitted for detached single family and townhomes.

Comments: The first bullet would direct BCD to add an additional inspection for the weather resistive barrier. This is not the first time this recommendation has come up. Following the Construction Claims Task Force new weather resistive barrier requirements were added to the low rise building code and at that time it was suggested a required inspection should be included. What was determined through that public process was industry had little desire for another required inspection that could slow down a project and since the liability fell on the design team or the developer, there was little benefit. Albany was one of, or the only, local municipality that required them after 2008. As of 2018 we ceased conducting these inspections. By adding an additional inspection, likely fees would need to increase to cover the inspection(s), the developer would need to provide access to all areas which could be challenging on mid to high rise structures, and often the siding installers are installing as they go to limit setup times.

My recommendation would be that that line be changed to direct the requirement back to the architect's law and an additional requirement for their required construction monitoring. They are more familiar with the product they specified and have a direct contractual relationship. Alternatively, a third-party or manufacturer certification would be more of a benefit to the owners, as they would the manufacturer is the ones providing the material warranty.

Then on the last bullet, I would suggest adding "single family, duplex, and townhomes."

Below is the current recommendation with my editorial below each section italicized for the reader's ease:

Expand the current Building Codes Division capacity for streamlining plan review and site inspections to accommodate increased levels of production at the local level.

Comment: Since their inception in 1973, the Building Codes Division (BCD) operates as an oversight government entity to promulgate a statewide building code, standardized fee methodologies, and uniform operating standards for local cities and counties that opted to operate a program under a delegation. This oversight approach was heavily influenced by industry to retain some local flexibility, but have a unified application across the state. As written this proposal would suggest increasing the staffing capacity at BCD rather than including the local jurisdiction where direct benefit would be realized. The proposal as written can also have unintended staffing issues at the local level, if projects can seek plan review from the state over the state operating as more of a overflow capacity, there by exacerbating the problem the recommendation is attempting to solve.

Suggestion revision to the proposal:

Expand the ~~current~~ Building Codes Division **and local jurisdiction** capacity for streamlining plan review and site inspections to accommodate increased levels of **housing** production.

1. Fund additional resources for plan reviewers/inspectors/support staff to increase "in-house" capacity at Building Codes (referred to finance group)
2. Increase the number of qualified ~~independent contractors (third parties)~~ **individuals or entities** who are licensed- **certified** by the state to provide plan review and inspection services **at and/or** for cities where capacity is not available **local jurisdictions.**
3. Tailor program to provide new state plan review and inspections services to: 1. ~~Cities~~ **Local Jurisdiction** which **do not** meet or exceed production targets- **program standard** established by the state **the Building Codes Division** 2. Affordable Housing projects in excess of 20 housing units, **where the local jurisdiction cannot meet plan review timeline specified by the Building Codes Division**
4. Expand and fast-track the state's role in mediating **building code requirement** disputes between design professionals and **local jurisdictions.** ~~cities specifically relating to building, planning and public works~~ **Provide assistance with customer relations with other state entities regarding disputes related to those other entities that impact the structures regulated under the Building Codes Division's authority.**
5. Provide resources including education to maximize the potential for virtual inspections with a target of **conducting a video inspection within two-business day of the request** -24 hour ~~inspection~~ anywhere in the state.

Comments: The suggested language retains the relationship between the state building code and the local requirements, while providing some additional paths to ensure projects complete building code plan review within a reasonable timeline. I included two-business days to allow for leaves and workload fluctuations.



600 NE Grand Ave.
Portland, OR 97232-2736
oregonmetro.gov

August 7, 2023

Dear Co-Chair Tovey, Co-Chair Hall and members of the Council,

Metro is the regional government for the greater Portland metropolitan area, tasked by Oregon statute with making decisions every six years about how and where the region will grow. Our region has a strong track record of supporting the core purposes of Oregon's statewide planning system – protecting farms and forests by facilitating efficient urban development, making the most of lands and infrastructure within the urban growth boundary, while also providing additional room for people and jobs when needed by expanding the urban growth boundary. To that end, Metro has expanded the UGB more than 30 times in recent decades, adding more than 32,000 acres of land the region's growth boundary.

I am writing today in support of the Housing Production Advisory Council's Financing Work Group recommendation for an Oregon Infrastructure Fund. One of the greatest barriers facing housing production in our region is development-ready land supply. We have thousands of acres of buildable land inside our urban growth boundary that lacks the necessary infrastructure to increase housing supply. This includes underutilized areas in downtowns and along transportation corridors that need additional investment to maintain, replace, and enhance the urban infrastructure that supports infill and redevelopment housing growth. It includes the roads, sidewalks, sewers, pipes, transit, and other critical infrastructure that are the foundation of making land ready for new development. Without investments in core infrastructure, land will simply sit there, and housing won't be built.

Due to limits in the state constitution on property taxes and state preemptions and limitations, local governments lack the funding and funding mechanisms to fully support the needed infrastructure in their communities. With few other options available, local governments are often forced to rely heavily on system development charges, contributing to higher immediate housing costs. Having a statewide funding source in the form of grants and loans to local governments to provide infrastructure would be crucial to unlocking thousands of acres of land throughout our state and turning it into needed housing. Metro strongly urges the Housing Production Advisory Council to forward a recommendation for an Oregon Infrastructure Fund for consideration.

Sincerely,

A handwritten signature in black ink, appearing to be "Andy Shaw", written over a light blue circular stamp.

Andy Shaw
Director of Government Affairs and Policy Development

August 10, 2023

To: Housing Production Advisory Council
Office of Governor Tina Kotek

From: Mary Kyle McCurdy, Deputy Director, 1000 Friends of Oregon
Corie Harlan, Cities & Towns Program Manager, Central Oregon LandWatch

Re: Land Availability Work Group's Recommendation 1: Leverage State Owned and Leased
Land for Housing Production

Summary

1000 Friends of Oregon and Central Oregon LandWatch support the concept of evaluating the potential of publicly-owned lands inside urban growth boundaries (UGBs) for affordable housing development, and making available appropriate publicly-owned lands for that development.

The Work Group Recommendation

The central elements of the recommendation are to:

- Authorize the Department of Administrative Services (DAS) to expand the Enterprise Asset Management process to include analysis for potential housing production and an equitable disposition process for divesting properties suitable for housing production.
- Expand and extend EO-23-03 (merge with 23-04) to include directing state agencies to prioritize production of 36,000 units annually as an emergency, including expediting Processes.
- Authorize State of Emergency Siting Procedures to expedite housing production on State Owned property.
- This includes evaluating state leases for real property that are not being fully utilized to determine whether they are appropriate for housing opportunities.

The recommendation would require the Office of Emergency Management (OEM) to assess relevant lands inside UGBs for their suitability for housing development, and the Department of Administrative Services (DAS) to implement an expedited disposition and development process for properties suitable for affordable housing. The recommendation emphasizes that all state agencies should consider developing housing on appropriate state-owned or leased land that is aimed at meeting the housing needs of those of lower incomes, as identified in the Oregon Housing Needs Analysis (OHNA), while remaining consistent to their individual agency missions.

Why We Support This Recommendation

Our organizations have long recognized the potential of appropriate publicly-owned lands inside UGBs for affordable housing development. Actual experiences around the country, including in the West, have demonstrated the potential of this to produce significant amounts of affordable

housing, quickly.¹ We have engaged in both research and advocacy on this subject, contributing to the successful passage of HB 2918 in 2021 (requires local governments, and allows mass transit districts and transportation districts, to prepare and submit to DLCD an inventory of surplus real property) and HB 4037 in 2022 (requires DAS to use reasonable efforts to lease unused or underutilized state property to the city of Salem for use as transitional housing for people experiencing houselessness). This HPAC recommendation continues and expands upon these concepts.

As noted by the work group, almost 50% of the housing needed in Oregon is for those earning under 80% of area median income (AMI), and at least half of that will require public subsidy of some sort. Helping to bridge that gap to meet the housing needs of low income Oregonians is an excellent use of the investment the public has already made in publicly-owned land:

- If the land is no longer being fully or effectively used for its original purpose, Oregonians will derive even more benefit if it is given new life as affordable housing.
- These lands already have all or most infrastructure onsite or nearby, making it far more affordable to develop with housing than raw land.
- These lands tend to be well-located relative to other activities and services that future residents will want to readily access.
- Use of publicly owned lands provides the opportunity to develop a land trust model of affordable housing, which allows the land to be continually used for affordable housing while providing some equity to the residents to build personal wealth.
- As highlighted by the work group, this recommendation has a high likelihood of being able to produce housing in the short-term and at a relatively low cost.
- The recommendation calls for the relevant state agencies to ensure the land is appropriate for housing development.

We also note the importance of ensuring that such a program is implemented consistent with agency missions.

Worth Further Evaluation

We hope some additional concepts will be part of this recommendation.

- The Land Availability work group looked at and spoke to those involved with California's implementation of its Public Lands for Affordable Housing Program, established in 2019, and incorporated lessons learned from there into this recommendation. The work group noted at least one element worthy of pursuing further, which we support: "[I]nnovative co-location models, such as adding housing atop redeveloped Department of Motor Vehicles property, that both allow for the agency to deliver its mission, while also finding opportunities to increase housing production in suitable areas."

¹ For example, see Sightline's *HOW CASCADIAN CITIES CAN BE SMARTER ABOUT THEIR SURPLUS LAND - What if local governments viewed surplus land not as a revenue generator but an opportunity to reduce displacement?*, <https://www.sightline.org/2018/10/29/how-cascadian-cities-can-be-smarter-about-their-surplus-land/>

- Including temporary and emergency housing as a suitable use of state-owned or leased lands inside UGBs, including excess parking lots. As mentioned above, HB 4037 is piloting use of state-owned parking lots and other property in Salem for emergency and temporary housing. We encourage this to be evaluated and, if practical, expanded. Because installation of permanent infrastructure is rarely required, this can be a good temporary use of leased lands in particular.
- Ensure that the inventory of state owned and leased land that has been deemed appropriate for housing production is available and accessible on a single website or dashboard.²
- Expand the inventory to include surplus lands inside UGBs owned by local transportation entities and school districts for evaluation for use for housing. Comprehensive inventories have proven to be a successful tool in developing affordable housing in other states.³
- Remove any legal barriers to state and local governments and agencies transferring appropriate land to affordable housing developers at little or no cost. The state of Washington did this, and Seattle, Tacoma, Spokane, and Sound Transit have all made use of it.⁴

² Even just having a comprehensive and updated inventory of publicly-owned land that is suitable and available for affordable housing is an important state that local and state governments across the country have taken. E.g., Portland's map of city-owned surplus properties <https://www.portlandoregon.gov/dam/68245> Florida; King County, WA's "Home & Hope" mapping tool, created by the Enterprise Community Partners.

(<https://www.enterprisecommunity.org/about/where-we-work/pacific-northwest/home-and-hope-mapping-tool>)

³ For example, Florida: Title XI, Chapter 125 379. Passed in 2006, this statute requires that every 3 years thereafter, each county shall prepare an inventory list of all real property within its jurisdiction to which the county holds a fee simple title that is appropriate for use as affordable housing. See, *Florida's Surplus Lands Status for Affordable Housing*, <https://www.flhousing.org/wp-content/uploads/2012/03/Surplus-Lands-Guidebook-2017-FINAL-WEB.pdf>

⁴ Sightline, *HOW CASCADIAN CITIES CAN BE SMARTER ABOUT THEIR SURPLUS LAND* What if local governments viewed surplus land not as a revenue generator but an opportunity to reduce displacement? <https://www.sightline.org/2018/10/29/how-cascadian-cities-can-be-smarter-about-their-surplus-land/>

August 10, 2023

To: Housing Production Advisory Council
Office of Governor Tina Kotek

From: Corie Harlan, Cities & Towns Program Director, Central Oregon LandWatch
Mary Kyle McCurdy, Deputy Director, 1000 Friends of Oregon

RE: **Financing Work Groups Recommendation 1: Oregon Infrastructure Fund**

Summary

To urgently tackle Oregon's housing crisis and rapidly increase housing production, it is critical to provide cities with substantial and sustained state resources for housing-related infrastructure. **Oregon needs a reasonable, robust and long-term State Infrastructure Program (Oregon Infrastructure Fund).**

1000 Friends of Oregon and Central Oregon LandWatch support the first recommendation of the Financing Work Group of the Governor's Housing Production Advisory Council, to "Create a State of Oregon Revolving Infrastructure Loan Fund that finances critical, local infrastructure through conditionally forgivable loans investing in public facilities that support the development of housing. Critical Infrastructure shall mean any improvements which will ultimately be dedicated to the public or transferred to a public utility in such a manner that is critical to housing development," with elements in need of additional evaluation and clarification outlined here.

The Work Group Recommendation

The central elements of HPAC Finance Working Group's recommendation are to:

- Generate an additional revenue stream that lowers the up-front costs of building critical infrastructure, thereby incentivizing and increasing the production of affordable and market-rate housing within UGBs.
- Identify lands within UGBs that are currently undeveloped due to the cost of providing them the necessary infrastructure (roads, water, and sewer connections) - and make key, impactful infrastructure investments that deliver more shovel-ready sites for housing.
- Make grant or loan funding available at various scales and accessible for local jurisdictions to provide increased predictability, capacity, and revenue to plan for and build necessary infrastructure for increased housing.
- Have a program designed for equitable distribution across the state that is administered by a state agency or organization, with funding tools that are structured to be performative, revolving, possibly forgivable, and tied to housing production and projects that have previously been identified by jurisdictions.

Why we support this recommendation

At its core, this recommendation is about equitably delivering housing quickly by tackling one of the biggest barriers to land within our cities becoming shovel ready. In doing so, it helps maximize and make the most of land within our existing UGBs. Not only is this great for more diverse and affordable housing options, it is also good for our climate, health, safety and wallets.

In every Oregon city, infrastructure improvements are one of the most significant barriers to available land becoming shovel-ready for housing development. Right now, most Oregon cities have available land within their current UGB that can become housing, quickly, if the necessary infrastructure is built. However, the water¹, sewer and transportation² infrastructure needs of our cities are immense - and cities are unable to meet their critical housing-related infrastructure needs through existing funding mechanisms.

Contributing factors include declining federal and state funding sources, limited local funding for multiple city-wide priorities including police and fire; limited ability to raise revenue through property taxes; a backlog of deferred maintenance; and increasing construction and maintenance costs. **New, substantial, and sustained state resources for infrastructure funding are needed to close this funding gap and tackle Oregon's housing crisis.**

A good place to start is committing sustained investment in the production of housing that the market is unlikely to produce on its own, including investments in infrastructure and development readiness, system development charges (SDCs), and gap funding and loan guarantees for affordable and diverse housing options. **HB 2980A and 2981A both included solid, broadly supported paths for implementing many of these policies. Both bills should be brought forth in the short session and include an increase in funding.**

Worth further evaluation

- **A new, significant and long term revenue stream** is needed to make this program successful in delivering the housing our communities need, quickly. Possible revenue sources are limited and include bonding, general fund cash, property tax, sales tax or income tax. If we're really throwing everything on the table, even those very big political lifts - e.g. Measure 5/47/50 adjustments - should also be considered. If we can bond for \$1B for a bridge, can we bond to meet our statewide housing goals?
- **Getting the most bang for the buck.** Focus on cities' BLIs: Where is/are the raw land and developable lots where an investment in infrastructure makes that lot buildable/shovel ready for housing?

¹ 2021 Water Infrastructure Survey: Summary Report. League of Oregon Cities
https://www.orcities.org/application/files/3816/2196/3174/Infrastructure_Survey_Summary_Report_5-25-21.pdf

² 2020 Bend Transportation System Plan, page 121:
<https://www.bendoregon.gov/home/showpublisheddocument/47764/637381859539770000>

- **Leveraging federal money.** This program should also be used as a match to leverage federal infrastructure dollars.
- **A reasonable, robust, long-term program.** A successful state infrastructure program needs to have a *minimum* of \$100-300M in funding. It should include a revolving fund that continues to replenish in perpetuity. However, because cities will be making payments over a number of years, this fund will need to be renewed and increased as necessary to meet the need, in perpetuity.
- **Clarify what infrastructure projects are eligible.** The recommendation currently references a “consolidated plan” and a city’s “comprehensive plan.” Public Facility Plans, Transportation Plans, Buildable Land Inventories and other documents identifying housing related (water, sewer and transportation) infrastructure needs will serve as better, clearer references.
- **Targeting specific affordability levels.** Priority should be given to housing types the market isn’t delivering. A particular focus on 60% AMI and under is important - however, delivering middle housing (60%-120% AMI) is also critical. One consideration could be to prioritize projects where infrastructure investments serve 60% AMI and under, while still offering opportunities for projects that serve 60-120% AMI. SDC support for 60-120% AMI is also another element to consider. Grants vs. loans is another consideration for housing type/AMI level served.
- **Infrastructure: Maintenance, upgrades, new build.** If it delivers housing, it should be eligible for funding via this program. For example, if what a city needs most is an upgrade to a sewage treatment plant or water storage facility that benefits a whole city or part of a city and creates critical capacity for more housing, there should be room in this program for that kind of project.
- **Eligibility: Private vs. Public entities.** While we’re open to hearing the rationale for private developers being eligible for these funds, our initial assessment is that public dollars should flow to cities in this program. Cities can then partner with developers that can help deliver the housing their community needs most across the AMI spectrum.



August 11, 2023

*Sheila Stiley, Board
chair – NW Coastal
Housing*

*Kymerly Horner,
Vice-chair - Portland
Community
Reinvestment Inc.*

*Rachael Duke,
Secretary -
Community Partners
for Affordable
Housing*

*Kristy Rodriguez,
Treasurer - Housing
Authority of Malheur
& Harney Counties*

*Trell Anderson –
Northwest Housing
Alternatives*

*David Brandt -
Housing Works*

*Wakan Alferes -
Homes for Good*

*Rita Grady – Polk
CDC*

*Maria Elena Guerra -
Farmworker Housing
Development Corp*

*Nkenge Harmon
Johnson – Urban
League of Portland*

*Brad Ketch –
Rockwood CDC &
Community Dev.
Corp. of Oregon*

*Erica Mills –
NeighborWorks
Umpqua*

*Shannon Vilhauer –
Habitat for Humanity
Oregon*

Housing Production Advisory Council
Office of Governor Tina Kotek
900 Court St. Suite 254
Salem, OR 97301

Co-chairs Damien Hall and J.D. Tovey, Members of the Committee,

We hope this letter finds you well. As representatives of the Portland Metro Policy Council of Housing Oregon, a membership-based statewide association of over 95 affordable housing community development corporations and allies, we wish to formally endorse the recommendations put forth by the Housing Production Advisory Council. These proposals are of paramount importance in addressing the critical affordable housing shortage that our state faces.

The following are the recommendations presented:

1. Leverage State-Owned and Leased Land for Housing Production:

We believe that the potential for utilizing state-owned and leased land for housing production is a strategic move in the right direction. As we endorse this recommendation, we also wish to offer specific feedback to further enhance its impact. We propose prioritizing housing proposals by nonprofit organizations and housing authorities. We would like to see projects with 99-year affordability agreements given additional consideration for priority in this process. Additionally, we strongly advocate for prioritizing projects primarily sponsored by organizations within the BIPOC community, recognizing the importance of equitable representation and impact.

2. Expand Building Codes Division Capacity:

The expansion of the Building Codes Division capacity is crucial to facilitating efficient housing production. We fully support this recommendation as it directly contributes to streamlining processes and minimizing unnecessary delays in housing projects.

3. Revise Condo Regulations and Requirements:

The revision of condo regulations and requirements is a welcome step towards promoting diverse homeownership opportunities. By simplifying and updating these regulations, we can create an

P.O. Box 8427, Portland, OR 97207

environment conducive to increased condominium development, providing more housing options for Oregonians.

4. Create State of Oregon Infrastructure Fund:

The establishment of a State of Oregon Infrastructure Fund has the potential to significantly bolster affordable housing projects. While we endorse this recommendation, we urge careful consideration to ensure that infrastructure funds are channeled effectively to support affordable housing initiatives rather than run-of-the-mill single family housing developments. By strategically directing these funds, we can maximize the positive impact on housing accessibility and affordability.

As an organization deeply committed to advancing affordable housing solutions, we appreciate the Housing Production Advisory Council's dedication to these vital recommendations. We are particularly encouraged by the Council's commitment to equity and community representation, as evidenced by the additional feedback we've provided for items 1 and 4.

Housing Oregon stands ready to actively contribute to the realization of these recommendations. Our collective efforts will undoubtedly play a crucial role in fostering inclusive, accessible, and sustainable housing throughout our state. We express our sincere gratitude for your tireless work in addressing Oregon's housing challenges.

Should you require any further information or support from Housing Oregon, please do not hesitate to reach out. We look forward to witnessing the positive outcomes that these recommendations will bring to our communities.

Thank you for your leadership, public service, and for considering our endorsement.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Cronin". The signature is fluid and cursive, with the first name "Kevin" being more prominent than the last name "Cronin".

Kevin Cronin
Director of Policy & Advocacy
Housing Oregon
P: 971-347-8503
E: kevin@housingoregon.org
www.housingoregon.org

To: Co-Chairs Damien Hall and J.D. Tovey;
Members of the Housing Production Advisory Council
(submitted electronically to: HPAC.Gov@oregon.gov)

From: Tracy Rainey, Senior Policy Analyst, Clean Water Services

Date: August 11, 2023

RE: Comments on Workgroup Recommendations for 8/11 Meeting

On behalf of Clean Water Services, we appreciate the opportunity to provide comments on the most recent workgroup recommendations forwarded to the full Housing Production Advisory Council (HPAC) for consideration at the August 11 meeting.

Clean Water Services is a water resource management utility that provides sanitary, stormwater and water resource recovery services to more than 600,000 residents and businesses in urban Washington County. Our utility was created by a vote of the citizens in 1970 as a result of a 1968-issued building moratorium that was placed on Washington County. The building moratorium resulted from a lack of necessary sanitary sewer infrastructure that created significant public health risks, as well as environmental impacts. That same year, the voters of Washington County also approved a \$36 million bond to make the necessary infrastructure investments that would enable the moratorium to be lifted. We share this background information to highlight the critical importance of water infrastructure and the services that we provide. This infrastructure is not only critical for public health and the environment, but is absolutely necessary in order to support growth, housing production and economic development within our region.

In addition to providing comments on specific workgroup recommendations (as outlined below), we want to extend our willingness to serve as a resource to the workgroup process and to members and staff of the HPAC. Our staff is fully committed to provide any information, technical expertise or insight that may help to inform and guide ongoing workgroup efforts and HPAC deliberations.

CWS Feedback/Comments on Specific Workgroup Recommendations

Financing Workgroup Recommendation:

“Create a State of Oregon Revolving Infrastructure Loan Fund that finances critical, local infrastructure through conditionally forgivable loans investing in public facilities that support the development of housing.

Critical infrastructure shall mean any improvements which will ultimately be dedicated to the public or transferred to a public utility in such a manner that is critical to housing development.”

CWS Comments:

- Clean Water Services appreciates the Financing Workgroup’s recognition of the need for additional state investment in infrastructure, especially water-related infrastructure. Unfortunately, water infrastructure has not seen the level of investment that other infrastructure types have seen in recent decades (e.g. roads). According to a recent [report](#) from the National Association of Clean Water Agencies, the federal cost-share of water utility capital investment has fallen from 62.77% in 1977 to less than 10% in recent years. In 1977 the federal government’s investment in water infrastructure represented approximately \$76 per person (adjusted to 2014 dollars); however, in 2014 that support represented just \$10.74 per person. This shift away from federal funding has shifted costs onto local communities.
- Oregon drinking water, wastewater and stormwater utilities are responsible for making the necessary investments to support community growth while ensuring the protection of the environment and public health as outlined in federal and state clean water and drinking water standards. These federal and state standards are implemented through permit requirements that local water utilities must comply with. The cost of meeting these requirements and the cost of necessary infrastructure expansion, replacement, operations and maintenance have escalated significantly over the past decades. In addition, much of the federal infrastructure investment that accompanied passage of the Clean Water Act in 1972 has now reached, or will soon reach, the end of useful life for that infrastructure. This represents a significant water infrastructure challenge as the majority of the infrastructure costs are now being passed on to local ratepayers/communities, creating affordability challenges in many communities.

CWS Recommendations for Consideration:

- We would appreciate clarification as to whether the intent of this recommendation is to create a conditionally forgivable loan that would be available to all drinking water, wastewater, and stormwater utility providers. As an example, CWS is a local government entity and that serves a significant urban population within Washington County, including within 12 cities. Many Oregon communities receive water utility services from a special service district or other non-city local government entity. We encourage the workgroup to work with Oregon’s water utilities to structure any infrastructure assistance program in a manner that will serve the variety of utility service delivery models seen in communities throughout Oregon.
- In addition, we encourage the workgroup to work with the variety of Oregon water utility types, especially those that are not operated by a city, to ensure that this financing structure can also work when the local government that is responsible for land use and housing development (including the issuance of certificates of occupancy) is distinct and separate from the local government that is responsible for providing water/wastewater/stormwater utility service.
- Page 3, item 1, of the workgroup recommendation document describes that this recommendation “does not reduce the cost of system development charges, it simply shifts the burden more broadly to the local tax-base.” CWS fully supports investments and financing tools that drive down the

actual cost of water-related infrastructure. The way to do this successfully is through a grant to the local government or through a forgivable loan. If the funding provided by the state were a grant or forgivable loan, it could potentially reduce costs for infrastructure that supports housing development. There would need to be some mechanism in place to ensure that any potential cost savings would be reflected in the ultimate price of the housing for the individual purchasing that home. It is important to note that a loan would not reduce infrastructure costs and may increase the costs as a result of interest paid.

- We would have concerns with shifting the costs of new development onto existing ratepayers that have already paid for their upfront share of water infrastructure capacity. This scenario would likely have a regressive impact to lower-income ratepayers and seniors on fixed incomes.
- Finally, it is worth noting that there will likely be scenarios where large infrastructure projects provide benefit to multiple properties/developments and may cross city, or other jurisdictional boundaries. We encourage the workgroup to reach out to Oregon water utilities to help navigate this potential challenge as it relates to this proposed funding resource.

Land Development Permit Applications Workgroup Recommendation:

“Expand and fast-track the state’s role in mediating disputes between design professionals and cities specifically relating to building, planning and public works.”

CWS Comments:

- We encourage the workgroup to reach out to utilities, such as Clean Water Services, to better understand how federal and state water quality permit requirements impact certain development requirements. As the permittee responsible for a National Pollutant Discharge Elimination System (NPDES) permit, we must implement certain requirements or risk violation of Clean Water Act standards and requirements. Failure to carry out the requirements in our NPDES permit can result in severe penalties, including significant fines or possible imprisonment.
- The review process to ensure that housing development is compliant with federal/state water quality permit requirements takes time and highly technical staff/expertise. CWS would be interested in serving as a resource to explore efficiencies in permitting that will also preserve our ability to ensure compliance with federal/state water quality permit requirements.

Availability of Land Workgroup Recommendation:

(Page 2, Item 1) “...state agencies own and lease land and buildings that may be suitable for housing development which may already be served by infrastructure...”

CWS Comments:

- We commend the innovation of the recommendations included within the Availability of Land Workgroup report, and we were especially encouraged to see the focus on affordable housing. We would encourage that any inventory of state lands/buildings for potential conversion to housing development should also include coordination with the local drinking water/sewer

utility provider to ensure that the infrastructure (e.g. lateral pipelines) that serves the land/building has been adequately sized to support the additional capacity that would result from that conversion. For example, an office building typically has several bathrooms on each floor, but would not likely have the number of plumbing fixtures (showers, facets, toilets, dishwashers) necessary to support multi-family housing. The state may want to look at an infrastructure fund that would help support necessary upgrades of infrastructure that may be required for conversion of state-owned lands/buildings to residential housing.

Again, we want to extend our appreciation for the time, effort and innovation that you all are bringing to this process. We hope that we can help provide helpful insight and expertise as you continue to work through this process.

Please feel free to reach out to Tracy Rainey at raineyt@cleanwaterservices.org with any questions or requested follow-up information that we can provide.



Commissioner Carmen Rubio
City of Portland

Friday, August 11th, 2023

Co-Chair JD Tovey
Co-Chair Damien Hall
Housing Production Advisory Council
Salem, OR 97301

Re: HPAC Work Group Recommendations Round #1

Co-Chairs and Members of the Housing Production Advisory Council,

Thank you for the work that you are doing to eliminate barriers to housing production across the state. We appreciate having the opportunity to participate in the HPAC workgroups and to be able to provide regular technical and policy related feedback based on our experiences as the largest city in the state.

As you consider the recommendations presented thus far, the City of Portland would like to express our general support for the efforts made by the Codes and Design Workgroup to update regulations and requirements for condominiums and to better align Oregon's regulatory approach with neighboring states. Creating more affordable pathways to homeownership in Portland, and in other Oregon communities, will rely on robust options for condos – whether in a large multifamily building or a smaller townhouse style development. We would note that when it comes to developing “envelope inspection standards to be used as a part of the building inspection process to help reduce the risk of defects,” that adding requirements on building inspectors will also add some cost to the process. This is a step the City of Portland would want to be highly involved in to make sure we fully understand the potential costs and any increased liabilities on the City.

Finally, the City of Portland enthusiastically supports the Financing Workgroup's recommendation that the State create a Revolving Infrastructure Loan Fund to finance local infrastructure needed to support the development of housing, which shows up as a barrier across the state. As you assess various homes for this loan fund, as explored in the recommendation document, we would urge the fund be within Business Oregon's Infrastructure Finance Authority where there is already extensive experience managing revolving loan funds and infrastructure needs across the state. That said, sufficient capacity must be provide alongside new dollars to ensure Business Oregon staff can meaningfully support local governments and developers navigating complex financing situations and needs. We would also note that while an Infrastructure Loan Fund may not necessarily reduce the cost of system development charges already in place, it will provide local governments another tool to consider as an option during periodic reviews and evaluations of their SDCs.

Thank you again for the opportunity to participate in this process and for your creativity and enthusiasm in addressing Oregon's housing crisis.

Sincerely,

A handwritten signature in black ink, appearing to read "Carmen Rubio". The signature is fluid and cursive, with a small trademark symbol (TM) at the end.

Carmen Rubio
Commissioner, City of Portland