Department of Land Conservation and Development
Affordable Housing Work Group

MINUTES

Meeting 2
June 17, 2008
1:00 PM – 3:00 PM
Agriculture Building (DLCD)
635 Capitol St NE, Salem
Basement Room D

Work Group Members Present

John VanLandingham, LCDC (Work Group Chair)
Janet Byrd, Neighborhood Partnership Fund
Jon Chandler, Oregon Building Industry Association
Shawn Cleave, Oregon Farm Bureau
Ann Glaze, Citizen Involvement Advisory Committee
Jana Jarvis, Oregon Association of Realtors
Allen Johnson, Johnson & Sherton PC
Nick Lelack, City of Redmond (by telephone)
Larry Medinger, Oregon Housing Council
Don Miner, Oregon Manufactured Housing Association
Greg Mott, City of Springfield
Jim Tierney, Community Action Team

DLCD Staff Present

Gloria Gardiner, Urban Planning Specialist
Bryan González, Rules, Records and Policy Coordinator
Bob Rindy, Senior Policy Analyst/Legislative Coordinator

Interested Persons Present

None

Meeting Materials

Agenda
Affordable Housing Options Report
Affordable Housing Options Report Summary
Affordable Housing Strategies
"East of Eden" Oregonian Article
Ideas for Proposed Pilot Project
ORS 197.309 Issues

Agenda Item 1 – Introductions

Chair VanLandingham convened the meeting at 1:15 p.m. and welcomed the work group. Members introduced themselves.

Agenda Item 2 – Opening Remarks from the Chair

Chair VanLandingham reviewed the agenda for the members.

Agenda Item 3 – Work Group Business

Bryan González reminded members of the need to submit their availability for scheduling future meetings and gathered calendars from some members present. Chair VanLandingham led the discussion to set the next meeting for Monday, July 14 at 9:00 – 11:30 a.m.

Agenda Item 4 – Roundtable; Remarks from Work Group Members

Jim Tierney advised that any proposals should treat different communities differently, especially small communities which may need to mix housing types in order to reach economies of scale. He cautioned that Oregon Housing and Community Services often gears policies toward large cities and that such policies do not work well in small communities.

Jana Jarvis cited recent studies that indicate housing needs will change over the next 20 years due to shifts in demographics, *e.g.*, only 27 percent of households will include children.

Larry Medinger suggested that the work group should focus on policies that would develop home ownership opportunities for multiple income levels, especially housing close to employment opportunities, in order to foster affordable communities.

Agenda Item 5 – Discussion of Issues

<u>Discussion of Meeting Materials</u>

Allen Johson reviewed his memorandum regarding ORS 197.309. He advised that the statute only applies to cities, counties and Metro—not the state. However, the state could not *require* a local government to enact a regulation prohibited by the statute. He further advised that the statute does not apply to comprehensive plan policies, though local governments may not be able to implement such policies through their code if prohibited by the statute. He found that the statute does apply to functional plans, which set standards for local comprehensive plans, *e.g.*, Metro's functional plan (not Eugene/Springfield's functional plans). In fact,

Metro recently removed the mandatory provisions of its functional plan dealing with affordable housing. He further advised that the statute does not apply to limited land use decisions or zone changes. Based on the above, he suggested the state could require inclusionary zoning under certain circumstances, *e.g.*, as a condition to a limited land use decision, such as a "needed housing" application.

Larry Medinger responded that Ashland requires inclusionary zoning as a condition to annexations and zone changes. He reported that the method has not worked well because developers produce inferior housing that does not attract buyers.

Allen Johnson continued that while the statute prohibits regulations that establish the sales price of housing units, it does not apply to rents and may not restrict a local government's ability to require a unit type, such as affordable housing. He further discussed that "a particular class or group of purchasers" as used in the statute is overly broad and may not be tied to price or income. Finally, he raised of issue of when voluntary inclusionary zoning may in fact be considered mandatory.

Jon Chandler responded that the statute was written to encourage voluntary inclusionary zoning while preventing mandatory regulations. He urged the work group to utilize incentives to encourage affordable housing, such as offering greater densities or expedited land use processes. He advised that if inclusionary zoning is tied to annexation, it would be considered mandatory. He responded to a question from Bob Rindy that the statute does not address how to make affordable housing designations permanent. Johnson advised that something would need to be recorded (*e.g.*, covenants) to accomplish permanence.

Nick Lelack reviewed the affordable housing options report and strategies table, which were prepared by a consultant for Redmond's affordable housing task force. Redmond amended its UGB in 2006 and adopted its affordable housing plan in 2007. He advised that Redmond's biggest issue is funding affordable housing projects.

Chair VanLandingham advised the work group that proportional impact fees, which are discussed in Lelack's materials, are prohibited under Measures 5 and 50.

Bob Rindy questioned whether allowing local governments to bank land outside of their Buildable Land Inventories would act as an incentive to designate affordable housing sites. Nick Lelack responded that Redmond has found that land within the UGB is mostly too expensive to foster affordable housing projects. Redmond hopes to purchase and bank land within its urban reserve area (URA), currently owned by Deschutes County, for such purposes. Redmond is also considering using urban renewal funds to purchase land in its downtown for affordable housing projects.

Bob Rindy reviewed his memorandum regarding three proposals: (1) sites designated for affordable housing would not have to be counted by local governments in their 20-year supply; (2) create a Transfer of Development Rights (TDR) program to create affordable housing sites (could make rural land more expensive)(LaPine has only TDR program in Oregon, which is a unique situation); (3) require that a portion of UGB expansions be dedicated for affordable housing (questioned whether to limit to residential UGB expansions only or also apply it to employment land expansions).

Larry Medinger responded that Ashland is considering allowing limited development on rural land adjacent to its UGB in exchange for the remainder of the land being transferred to the city for affordable housing. He advised the group that land cost is the biggest hurdle to developing affordable housing in most cities and that the intent of Senate Bill 187 was to purchase rural land at rural land prices—not urban or urbanizable land prices. Jim Tierney reiterated that purchasing urbanizable land is too expensive to support affordable housing. Chair VanLandingham responded that instead of developers transferring land to cities for affordable housing, developers could be required to dedicate land or pay a fee to support affordable housing in exchange for an expedited UGB amendment. Bob Rindy replied that his option 3 is meant to apply to land that ordinarily would not qualify for inclusion in the UGB. Nick Lelack suggested that any UGB amendment affordable housing incentive be limited to land already within an URA.

Greg Mott expressed concern that option 3 would push affordable housing to the fringes of cities, which leads to higher costs, generate more and longer vehicle trips, and can act as a barrier to developers. He suggested that allowing higher densities within the interiors of such sites may assist developers in meeting financial challenges. Bob Rindy argued that living on the fringe is better than being forced to commute to work from a separate city. Greg Mott still expressed concerns about infrastructure costs. Chair VanLandingham agreed that various interests are opposed to fringe development, but reminded the work group that manufactured housing parks were historically built on the fringe of cities due to cheaper land and less conflict with existing development. Don Miner responded that infrastructure costs for such parks were less historically because most services were provided on-site and that other states continue to allow parks away from urban areas with such “packaged services.” Nick Lelack suggested that fringe development can actually be used to break up antiquated zoning patterns by allowing development of housing closer to employment opportunities. Jon Chandler advised that the issue of fringe development is much larger than as it relates to affordable housing and that the work group should focus on broad policies to encourage affordable housing development rather than be concerned about the location of such development.

Nick Lelack expressed skepticism about Rindy’s option 2. Allen Johnson voiced further skepticism about utilizing TDRs in light of Oregon’s program that restricts most development on rural land.

Placeholder Legislative Concept

Bob Rindy notified the work group that legislative concepts for the 2009 legislative session are due by June 27. DLCD currently has a placeholder concept. He suggested that DLCD direct Legislative Counsel to draft a bill to amend ORS 197.296 and ORS 197.307, which could be rewritten or not filed based on the outcome of the work group. Members agreed.

Pilot Projects

Bob Rindy suggested that different pilot cities should test different proposals.

Shawn Cleave suggested that one pilot project be located within the areas that Metro will designate for reserves.

Agenda Item 6 – Suggestions for Next Meeting Agenda and Member Tasks

Chair VanLandingham stated that he would work with staff to shorten the list of issues to be further discussed by the work group. He further offered to identify and contact developers to be present at future meetings to discuss the viability of any proposals.

Chair VanLandingham adjourned the meeting at 3:05 p.m.

Public Comment

None

Member Tasks (not necessarily due at next meeting)

John VanLandingham

- Work with staff to shorten list of issues
- Contact developers to participate in future discussions